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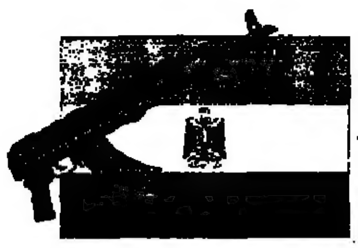

Reviving Assuit
A terrorist base transformed
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Tough options on the chalk face
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World Business Newspaper — WEDNESDAY JANUARY 31 1996

Brussels plan to vet mergers faces hostile reception

Controversial plans by the European Commission to extend its control over the vetting of company mergers are likely to get a rough reception from member states when they are unveiled today.

Brussels officials believe too many mergers affecting the EU's single market fall outside the scope of the Commission's merger taskforce. Page 14; Dispute at EU over contract tendering, Page 3

Chance of US rate cut is lifted: Unexpectedly weak economic data on consumer confidence and sales increased the chance of an early cut in US interest rates rose raised. The figures were released as the Federal Reserve began a two-day strategy meeting. Page 14; World stocks, Page 36

Electrolux, the Swedish company that is world's biggest maker of household appliances, painted a gloomy picture about its prospects in the first half of 1996, saying consumer confidence remained fragile in its main markets. Page 15

UK spending cuts opposed: UK chancellor of the exchequer Kenneth Clarke warned against big long-term cuts in state spending and any pre-election commitment to a referendum on a European single currency. Page 9; Hurd interview, Page 13

RJR Nabisco, US tobacco and food group under pressure to spin off its food business, marked the end of a poor year for profits growth by reporting fourth-quarter net earnings of just $33m, against the comparable period's $29m. Page 17

Chirac to push for nuclear test ban treaty

President Jacques Chirac (left) is due to fly to Washington today hoping to put behind him the diplomatic damage caused by French nuclear tests in the Pacific and present a more constructive image of his country's security policy. He will reaffirm his keenness for an early comprehensive test ban treaty and discuss with President Bill Clinton the implications of France's new-found willingness to co-operate more closely with Nato. Page 3

Apple Computer: Shares in the struggling personal computer company fell sharply as investors' hopes of an imminent takeover bid faded. Rumoured talks with Sun Microsystems, leading computer workstation manufacturer, are believed to have ended without agreement. Page 17

Bouygues, French conglomerate, revealed big provisions for its industrial holding, telecoms and property businesses, forcing it into losses of about FFr4bn ($780m) for 1995. Page 16

Chernomyrdin favoured: Russia's liberals, who feel betrayed by President Boris Yeltsin's lurch towards nationalist hardliners, want Victor Chernomyrdin, the moderate prime minister, to contest June's presidential elections. Page 3

Samuel Goldwyn: Negotiations over the future of the debt-laden Los Angeles film company have run into difficulties with the reported withdrawal of a partial offer from PolyGram, a subsidiary of Philips of the Netherlands. Page 17

EU backtracks on human rights: European Union states have secretly watered down provisions on human rights and democracy in Turkey which formed an intrinsic part of a Ecu375m ($443m) aid package for the Ankara government. Page 3

Engineering recovery 'to carry on': The recovery in the world's engineering industries is expected to continue into 1997, according to a United Nations report. Page 4

Boost for Chinese airports: China is accelerating the expansion of its airport network to cope with a continuing surge in passengers numbers, but has placed a ceiling on new aircraft orders this year of 27. Page 7

Record jobless rate in Japan: Japan's unemployment rate stagnated in December at a record 3.4 per cent, but the government greeted a slight improvement in the labour market as a sign of better times ahead. Page 6

Blast kills miner: One miner was killed and eight others were missing after an underground explosion at a gold mine near Carletonville west of Johannesburg, South Africa.

Switching off, dropping out: Only 35 per cent of top managers at big companies rate the Internet as an effective business tool, according a survey for the International Visual Communication Association and Japanese electronics giant Sony.

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5363.03	(+46.05)
NASDAQ Composite	1049.58	(+7.07)
Europe and Far East		
CAC40	2893.13	(+22.45)
DAX	2435.79	(-10.26)
FT-SE 100	3735.3	(+0.7)
Nikkei	20,722.44	(+133.24)

■ US LUNCHTIME RATES

Federal Funds	$5\frac{1}{2}$%
3-mth Treas Bills: Yld	5.117%
Long Bond	$111\frac{7}{16}$
Yield	6.027%

■ OTHER RATES

UK: 3-mo Interbank	$6\frac{1}{4}$%	($6\frac{3}{8}$%)
UK: 10 yr Gilt	$107\frac{11}{32}$	($107\frac{1}{16}$)
France: 10 yr OAT	106.34	(105.85)
Germany: 10 yr Bund	100.86	(100.4)
Japan: 10 yr JGB	111.148	(111.456)

■ NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$16.39	(16.02)

■ GOLD

New York Comex		
(Apr)	$407.0	(408.8)
London:		
close	$405.2	(406.2)

■ DOLLAR

New York lunchtime		
£	1.5055	
DM	1.4905	
FFr	5.116	
SFr	1.21265	
Y	107.225	
London:		
£	1.5043	(1.5079)
DM	1.4898	(1.4859)
FFr	5.1185	(5.1065)
SFr	1.2135	(1.2095)
Y	107.25	(105.60)

■ STERLING

DM	2.2412	(2.2405)
Tokyo $ close:	Y 106.8	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh15	Slovak Rp	Sk65
Bulgaria	Lv130.00	Iceland	IKr230	Neth	Fl 4.75	S Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kč60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3300	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£55.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM16.50	Kuwait	Fils.650	Portugal (mTand)	Es240	Turkey	L70,000
France	FFr11.50	Lebanon	L£3,000			UAE	Dh12.00

Unions oppose public sector staff cuts ■ Rexrodt sees boost for jobs

German 'action plan' under fire

By Peter Norman and Judy Dempsey in Bonn and Andrew Jack in Paris

The German government's long awaited 50-point "action programme" to boost growth and jobs was criticised yesterday by trade unions and met a lukewarm response from industry.

Unveiling the package, Mr Günter Rexrodt, economics minister, said supply side reforms to improve conditions for investment and employment were at the heart of measures to halve Germany's 4m jobless total by the end of this decade.

In a "co-ordinated action", Germany finalised its package of measures on the same day the French government announced steps to boost demand.

The Bonn plan, approved by the cabinet yesterday, set out to encourage entrepreneurship and business start-ups and reduce public spending's share of gross domestic product from just over 50 per cent to 46 per cent by 2000.

Mr Rexrodt, who headed the cabinet committee that drew up the Bonn government programme, described the measures as "a vitamin shot to bolster inherent strengths" in the German economy which is facing low growth and rising unemployment this year.

However, trade unions made clear their opposition to proposed reductions in public sector personnel while officials in German states indicated they were unhappy over planned cuts in local business taxes.

Mr Rexrodt said that while some of the measures were tough, there was no intention to dismantle the country's social security system. The plan included measures to ease the taxation burden on business, promote deregulation and privatisation, lower subsidies, encourage investment funds and venture capital and strengthen research and development.

Günter Rexrodt (right), Theo Waigel (centre) and Labour minister Norbert Blum unveil the 50-point plan to boost growth yesterday Picture: Reuter

In spite of growing doubts elsewhere in Europe, Chancellor Helmut Kohl's government also strongly reaffirmed its support for European integration and starting economic and monetary union in line with the Maastricht treaty timetable on January 1 1999.

Giving the German programme an added European flavour, Mr Theo Waigel, finance minister, disclosed that Bonn's plans had been discussed with the French government on Monday before being unveiled yesterday.

Mr Jean Arthuis, French finance and economics minister, said Germany and France had discussed their measures and the two countries agreed that their problems arose from "a pause in the growth cycle. Activity should return in the two countries in a stronger way during the second half of 1996."

The French measures were aimed at boosting consumption, cutting interest rates and helping the construction and public works sector of the economy.

One of the most important gestures was the first reduction for 10 years in the tax-free interest rate offered on the "Livret A", a key tax-free national savings product the proceeds of which are used to fund the construction of low-income housing, by 1 percentage point cent to 3.5 per cent.

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The announcement was followed by a concerted move to cut base rates by 0.5 of a percentage point to 7 per cent among the country's commercial banks, which had become increasingly critical at the unchanged Livret A rate as the returns on other investment products fall.

Other measures, such as a change in the rules governing early retirement to safeguard the financing of Germany's "pay as you go" pension system, have still to be clarified in talks between the government, employers and trade unions.

Financial markets were apparently unmoved by the package. The Dax stock market index in Frankfurt finished slightly lower, while the dollar closed at DM1.4899 in London, compared with DM1.4859.

Hanson to break up his empire into four companies

By Clay Harris, Norma Cohen and David Wighton in London

Lord Hanson, who built up one of the world's leading industrial conglomerates through three decades of takeovers, is to break it up before he leaves the corporate stage.

Hanson – his namesake company and Britain's 13th largest listed group at yesterday's £11bn ($17bn) market value – announced plans to split into four parts by the end of this year. Investors will receive shares in each of the companies.

The move follows similar demerger announcements by US companies such as ITT and AT&T, and Hanson's own spin-off last year of US Industries.

Lord Hanson, 74, said yesterday: "We are making this exciting and radical move to create even greater management and growth opportunities."

The four companies will be:

● Energy, to include Peabody, which mines coal in the US and Australia, and Eastern Group, the UK electricity company. It will be listed in London and New York.

● Imperial Tobacco, the world's 22nd largest maker of cigarettes, to be listed only in London. Both it and the energy company will be chaired by Mr Derek Bonham, Hanson's current chief executive and deputy chairman.

● Chemicals, in a New York-listed company incorporating SCM and Quantum.

● Building materials and equipment. This rump company will also own Hanson's 12.5 per cent stake in Britain's National Grid Group. Lord Hanson intends to remain chairman of this company until he retires in 1997. Lord White, his long-time business partner, died last year.

The choice of successor to Lord Hanson had been one shadow hanging over the group. His 35-year-old son, Robert, already a director of the group, will also stay with the rump company.

One leading investment man-

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Ford infuriates rivals with Japanese adverts

By Michiyo Nakamoto in Tokyo

Ford, the US car manufacturer, has provoked an unseemly spat with its European competitors in consensus-conscious Japan by taking out advertisements in main newspapers suggesting that rival vehicles are overpriced.

"Why is golf expensive in Japan?" Ford asks in an advertisement featuring the popular Volkswagen Golf perched on a golf tee. Ford admits that the play on words is intended to suggest that the price of a Volkswagen Golf is as high-priced as playing golf in a country with famously expensive green fees.

European manufacturers have missed the joke. "It's absolutely infuriating," said one. "Ford has only just started to invest in the Japanese market while European car companies and other US companies have worked hard to develop the market. And here somebody comes in at the last moment and throws that at us."

Why is golf expensive in Japan!? the Ford advertisement asks

Another competitor said the Ford campaign was "a classic latecomer's" strategy. "Ford is trying to create a differentiation through price because they have been unable to establish a quality image in the mind of the Japanese consumer."

Several European car companies are considering a formal complaint to Japan's Fair Trade Commission on the grounds that the advertisements contain inaccurate information. But Ford plans further attacks.

According to the Ford advertisements, European cars, such as the Golf, allegedly cost more in Japan than in Europe. The Golf, according to Ford, is ranked in the lower-medium class of cars but in Japan costs more than the Ford Mondeo, which is one rank above it in the medium class.

The Ford Mondeo "is the first European car to be introduced into the Japanese market at the same price as it sells in Europe . . . Ford is different from those European manufacturers who suddenly put up their prices when they sell their cars in Japan", the advertisement says.

Volkswagen in Japan said the price comparisons did not take into account the differences in equipment offered. In Germany, air conditioners, airbags and an anti-lock braking system were not necessarily included in all cars, it said.

The squabble reflects the increasingly fierce competition between importers in Japan. Imported vehicle registrations in Japan rose for the third consecutive year and reached a record 388,162 units last year, with car imports up 31 per cent to a 10 per cent share of the market.

The Volkswagen Golf is a favourite among fashion conscious Japanese consumers and has been notably successful. Last year, registrations rose 32 per cent to 27,028, giving Volkswagen 10 per cent of the imported car market.

US-made Ford registrations climbed 21 per cent and the Mondeo rose over 170 per cent. However, at 6,418 units, it still lagged far behind the Golf.

Murdoch loses bidding for Olympic television rights

By Raymond Snoddy

The television viewers of Europe will be able to watch the summer and winter Olympic Games on terrestrial "free" television at least until 2008.

The International Olympic Committee said yesterday it had agreed a $1.442bn (£900m) deal with the European Broadcasting Union, the body that represents the public broadcasting of Europe, North Africa and the Middle East.

In addition a "profit-sharing" sum is to be be added to the total payment.

The deal with the EBU, which has held the European broadcasting rights to the Olympic Games since the Rome Olympics of 1960, effectively shuts out Mr Rupert Murdoch's News Corporation until at least 2010.

A bid signed by Mr Sam Chisholm, chief executive of British Sky Broadcasting, the satellite television venture, and underwritten by News Corporation earlier this month, offered $2bn for the European Olympic broadcasting rights up to the year 2008.

The IOC has already sold US and Australian rights up to the year 2008 to NBC, the US network company, and The Seven Network of Australia.

It is the first time that broadcasting rights have been sold so far in advance.

News Corporation yesterday accepted the decision of the International Olympic Committee. Mr Murdoch will not try to challenge the decision under European Union competition law.

"News Corporation respects the right of any sports body to select the broadcaster of its choice. Rights-holders are well able to make their own decisions with regard to the relative merits of financial bids and the extent and the quality of the coverage," the company said.

The effect of the $2bn Murdoch bid has almost certainly been to push up the amount the EBU has had to pay to gain the rights. The European broadcasting rights to the Sydney Olympiad in 2000 will cost the EBU $350m and the 2002 Winter Olympic Games in Salt Lake City $120m.

It is believed the original EBU bid for Sydney was $280m and that $20m had to be added to the Salt Lake City bid.

The EBU said yesterday that

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NEWS: EUROPE

More questions than answers in 'action programme' for investment and jobs

German package fails to excite

By Peter Norman in Bonn

At first glance, yesterday's 50-point "action programme for investment and jobs" agreed by the cabinet in Bonn appears quite impressive.

But on closer inspection, it isreminiscent of the many economic stimulation packages announced by successive Japanese governments and many of the, proposals have been flagged already.

Others still need to be agreed inside the Bonn coalition. Where there has been a clear cabinet decision, many proposals will have to be negotiated – not least with the opposition Social Democrat party (SPD) which controls the Bundesrat, the upper house of parliament, representing the Länder (states).

Chancellor Helmut Kohl's government has set the ambitious goal of halving unemployment by the end of the decade. This will be far from easy. Twelve months ago, the government's 1995 economic report forecast a 300,000 fall in unemployment last year – it rose by 231,000 between December 1994 and last month.

The official forecast for 1996, published yesterday, envisages an increase in average unemployment to 3.9m from 3.61m in 1995. A measure of the goverment's difficulties will come next week when official figures are expected to show Germany's jobless total topping 4m – more than one in 10 of the labour force.

Moreover, the cabinet that agreed yesterday's package is the same body that last year agreed to liberalise shopping hours only to delay implementation until after important state elections in March. This was because of dissent among parliamentarians of Mr Kohl's Christian Democratic Union.

The planned abolition next January 1 of the local trading capital tax – a levy which Mr Theo Waigel, the finance minister, calls a fossil – was in yesterday's package, and had been on the minister's agenda last year. He failed to eliminate the levy at the beginning of this year because of SPD opposition in the Bundesrat.

The Social Democrats have signalled opposition to the plan, announced on Monday, to reduce from the middle of next year the solidarity surcharge – a levy on income taxes to help pay for German unification.

No sooner had Mr Waigel agreed with Mr Wolfgang Gerhardt, leader of the Free Democrat junior partner in the coalition, to reduce the levy than a howl of protest went up from state premiers and finance ministers. The planned cut to 5.5 per cent from 7.5 per cent will require the states to meet DM3bn (£1.3bn) of the expected DM4bn cost next year.

Nor were the protesters confined to the opposition SPD. Bavarian state politicians from Mr Waigel's own Christian Social Union were yesterday critical of the compromise.

While the SPD's ability to block a significant portion of government legislation means that much of yesterday's package will be subject to negotiation, other parts still have to be clarified or negotiated within the coalition or with other involved groups.

Tax incentives flagged in yesterday's package to encourage the establishment of new companies have still to be worked out among experts and with representatives of the main business lobbies. However, Mr Waigel yesterday insisted that there were no differences among coalition politicians on this issue

More worrying was the absence yesterday of a clear plan for curbing early retirement, which has crippled the finances of the Federal labour office and the state pension scheme and contributed to Germany's very high non-wage labour costs.

This difficult issue is due for discussion on February 12 in the latest of a series of meetings between Chancellor Kohl, his leading ministers and representatives of the employers and trade unions.

With key elements of the government's strategy for curbing non-wage labour costs still obscure, it is difficult to judge how far trade unions and employers will eventually support the package. The government has invested much hope in the "alliance for jobs", initially proposed by Mr Klaus Zwickel, the head of the powerful IG Metall trade union, and its promise of new jobs in return for wage restraint. This, Mr Günter Rexrodt, the economics minister, said yesterday, was an "incredibly important step".

However, reactions from the trade unions to yesterday's package were anything but encouraging while the employers were lukewarm.

The 50-point programme raises as many questions as it provides answers. The fear must be that its publication will mark the beginning of months of trench warfare rather than serve, as Mr Rexrodt hopes, as a signal that will boost business confidence, investment and employment.

WHAT FUTURE HOLDS: KEY FORECASTS FOR 1996

% change in real terms on previous year*

	1994	1995	1996
Gross domestic product	2.9	1.9	1.5
of which:			
Western Germany	2.4	1.5	1.0
Eastern Germany	8.5	6.3	4 to 6
Domestic demand	2.8	1.8	1.5
Private consumption	0.9	1.3	2.0
State spending	1.2	2.0	1.5 to 2.5
Investment	4.3	1.8	-1 to 1
of which:			
Corporate	0.7	1.3	2 to 3
Housing	13.1	3.7	-3.5 to -4.5
State	-0.6	-1.5	0 to -2
Exports	7.5	3.7	3.5 to 4.5
Imports	7.1	3.1	3 to 4
Consumer price inflation	2.8	2.0	2.0
GDP deflator	2.3	2.2	2.0
Unemployment rate (% of labour force)	9.6	9.4	10
Average unemployed (thousands)	3,698	3,612	3,900
Public sector deficit (DMbn)	88.8	123.6	125 to 135
Public sector deficit (as % of GDP)	2.6	3.6	3.5

*Unless otherwise stated, changes are increases unless marked with a minus sign.
Source: Annual Economic Report 1996, Federal Economics Ministry, Bonn.

■ ENCOURAGING ENTREPRENEURS

Moves to help people set up in business

By Judy Dempsey in Bonn

When Mr Günter Rexrodt, the economics minister, stood up yesterday to present the government's package on jobs and investment, the first thing he focused on was how to strengthen the entrepreneurial spirit in Germany.

This is an issue close to Mr Rexrodt's heart. He believes Germany's culture of self-reliance, initiative and independence is under-developed – and, as he pointed out, an average of four jobs are created when a new business is set up.

These businesses, whether they be the Handwerk, the crafts and trades sector, or the Mittelstand, Germany's small and medium-sized companies, are still considered the backbone of the country's economy. Mr Rexrodt said they needed the opportunity to find backing from financial institutions.

The cabinet agreed that DM1bn (£446m) should be made available as venture capital through banks and other financial institutions. Venture capital is hard to find in Germany, and many medium-sized companies rely entirely on family investment.

The cabinet also proposed that a further DM1bn be made available for companies which are fundamentally competitive but are experiencing temporary liquidity problems. The aim is to provide a kind of safety net in an attempt to make Germans less averse to risk-taking and branching out on their own.

Ministers also favour the use of tax breaks to encourage entrepreneurship. Those prepared to take the risk of setting up a company would be given income, trade and company tax concessions over a three-year period, or the possibility of setting off investments against tax. The government will finalise details during the first quarter of this year.

The Handwerk would be subject to less red tape and "superfluous" regulations would be scrapped to encourage individuals to set up in business.

The government also intends to encourage risk-taking in another form: through reducing subsidies, increasing the number of companies to be privatised, and introducing deregulation, especially in the electricity sector.

The uncompetitive coal sector, for example, could have its DM8bn annual subsidies scrapped or sharply reduced after 2000, even though this would probably mean job losses and would be resisted fiercely by the Social Democrats (SPD). However, there are no subsidy cuts proposed for the influential agricultural lobby.

Also high on the agenda is deregulation of the electricity and gas industries, where a few large companies enjoy a monopoly in supply and distribution of energy, and charge industrial and domestic household some of the highest energy prices in Europe. The cabinet is anxious to have a draft law on the table early this year despite strong opposition from the sector and the SPD.

Some of the country's airports, including Cologne/Bonn and Hamburg, will be privatised and the long-standing plan to sell off Lufthansa, the national airline carrier, will be revived. The remaining 34 state-owned enterprises in east Germany will also be sold off.

In addition, the government still hopes to push Länder (states) and municipalities towards contracting out or privatising local services, such as rubbish collection.

■ LABOUR COSTS

Social welfare bill to be tackled

By Judy Dempsey

A two-pronged strategy aimed at reducing non-wage labour costs and increasing employment, was presented yesterday by Mr Norbert Blüm, the social affairs minister.

Social welfare contributions, shared by employers and employees, are rising this year to 41 per cent of labour costs from about 39 per cent last year, and are considered a significant brake on competitiveness.

Mr Blüm said the government aimed to cut this below 40 per cent by 2000. But, calling for "evolution, not revolution", he ruled out any radical change to the social welfare system and claimed that the country's expensive pension provision was the best in the world.

Even though the contribution by employers and employees to social welfare costs is high, the state pension insurance scheme is running a deficit of DM10bn (£4bn). By the time the younger generation reaches retirement age, there will be no money available to pay their pensions – the ever-increasing ageing population will have emptied the kitty.

One proposal floated yesterday was to raise the minimum age – currently 58 – at which people can draw the state pension.

Mr Blüm, who believes employers use early retirement to cut labour costs, has said that the 300,000 people who took advantage of it last year cost the social welfare system more than DM66bn – DM36bn in pension contributions forgone and DM30bn in benefits being paid out.

On the employment front, Mr Blüm seemed moderately optimistic, suggesting that 850,000 jobs could be found in domestic service. But the opposition Social Democrats (SPD) are likely to resist such plans, believing these employees would have no social security or pension rights.

Mr Blüm also suggested there was an increasing demand for part-time employment.

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Finance minister Theo Waigel: aiming to reduce German public spending to 46 per cent of gross domestic product
Wolfgang von Brauchitsch

■ EASING BURDEN OF TAXATION

Reform of tax system will come in three stages

By Peter Norman

A three-stage reform of Germany's complex and burdensome tax system was a central element of the "action programme for investment and jobs" agreed by the Bonn cabinet yesterday.

Mr Theo Waigel, finance minister, said the government planned a "revenue neutral" reform of company taxes from January 1, followed on July 1 1997 by the two percentage point reduction to 5.5 per cent in the deeply unpopular "solidarity surcharge" agreed by coalition parties on Monday.

The third step, after the next German general election in 1998, will entail cuts in income and corporation tax rates and reinstatement of the smooth progressive upward path in tax rates that characterised Germany's income and corporation tax systems until the beginning of this year.

The third phase tax cuts will be financed by eliminating concessions, broadening the tax base, and by strict public spending control.

Mr Waigel yesterday reaffirmed the goal of reducing public spending from just over 50 per cent of gross domestic product to 46 per cent by the year 2000.

The government wants to ease the burden of direct taxation gradually.

Next year's planned corporate tax reforms include abolition of the Gewerbekapitalsteuer local trading capital tax, which companies must pay even when they make losses, and lower local profit taxes to help medium-sized enterprises.

Wealth tax will be abolished from next January and inheritance and gift taxes reformed to ease the transfer of family-owned companies from one generation to another.

Low-key announcement for government's plans

France unveils measures to relaunch economy

By Andrew Jack in Paris

Many of the French government's measures, announced yesterday, for relaunching the economy, are less about significant new initiatives, and more about fine-tuning existing ideas – which will involve considerable questions of interpretation.

The reforms, finalised late on Monday night, were made public in a relatively low-key way. It was Mr Jean Arthuis, the economics and finance minister, who unveiled the details rather than Mr Alain Juppé, the prime minister, who spoke about them on television later.

Perhaps one of the most important measures was not part of the package at all. Mr Arthuis stressed that the government was determined to remain within "a few billion" francs of its FFr322bn (£42bn) budget deficit target for 1995, and within the "envelope" voted by the French parliament for 1996.

To help achieve this in the light of slowing economic growth and falling tax revenues during the current year, he said that an extra FFr20bn in credits allocated in the 1996 budget would be frozen.

A second notable result of negotiations held over the past few days ahead of publication of the details of the measures was a reduction announced yesterday afternoon by the country's leading commercial banks to lower their base rates. From the start of February they will come down by 0.5 per cent to 7 per cent, a move which should substantially reduce financing costs and could help boost consumption and industrial investment.

The quid pro quo was one of the central pillars of yesterday's initiatives. In line with growing speculation throughout January, Mr Arthuis said that the key tax-free "Livret A" national savings interest rate would be reduced from 4.5 per cent to 3.5 per cent.

The action could prove risky, since some 80 per cent of French households have Livret A accounts – available through the Post Office and the national savings bank network – and the last such cut in 1986 provoked a sharp fall in the government's popularity.

But the higher rates will be preserved through schemes targeted at young people and those on low incomes. Mr Arthuis, echoing the commercial banks' concerns, argued that the rate had become out of step with the returns available on other investment products, which have fallen steadily.

He also stressed that the Livret A was used to finance public housing, and a reduction in the interest rate for savers would also reduce the cost of loans, helping organisations across the country to build more low-income accommodation.

Among the other ideas announced to help boost consumption was a 25 per cent tax deduction for the first two years available on loans taken out to buy consumer goods.

The markets' reaction to the French measures appeared positive, with the CAC-40 index of leading quoted company shares closing up 1.13 per cent at the end of the day.

Officials also argued that many of the measures announced in Germany yesterday matched programmes already taken in hand in France over the past few months, including initiatives designed to help small and medium-sized businesses.

EUROPEAN NEWS DIGEST

New premier for Bosnia

Bosnia's prime minister, Mr Haris Silajdzic, left the government yesterday after months of battling with the ruling Social Democratic Action party (SDA). His successor, Mr Hasan Muratovic, minister in charge of United Nations relations, was voted in yesterday. Mr Muratovic who will lead an interim government until elections later this year.

The new republican government of Bosnia-Hercegovina has been cut from 12 to five ministries. This was the issue which caused Mr Silajdzic to resign both as premier and from the party. He had wanted the government, which represents the whole of the state and will include a representative of the Serb entity following the elections, to be a central unifying power. The SDA and the leading Croat party, the HDZ, however, have raised the relative political importance of the Bosnian-Croat Federation government, which they jointly dominate, by voting to scale down the republican government. Mr Silajdzic is expected to form his own party. *Harriet Martin, Sarajevo*

Stand-off over Aegean island

Warships from Turkey and Greece yesterday warily circled the 4 hectare east Aegean island of Imia, which the two Nato members claim. Each demanded the other pull back, but showed no sign of doing so. Ankara summoned the Greek ambassador to demand "the immediate withdrawal of Greek ships" from around the uninhabited island, which lies between the Turkish coast and the Greek island of Kalymnos. Mr Costas Simitis, who took office as Greek prime minister this month, earlier issued a warning that Greece would not hesitate to defend Imia, which Athens says was ceded to Greece by Italy in 1947.

The conflict began last week after the captain of a Turkish ship that ran aground on the rock refused to let a Greek tug assist it, saying the territory belonged to Turkey. Since then, Turks and Greeks have planted their own country's flag there, ripping down those of their rivals. *Reuter, London*

New rules for German telecoms

The German cabinet yesterday approved a law to regulate a liberalised telecoms market after 1998. Approval had been delayed by a tussle between two ministers over control of the regulatory authority. Mr Günter Rexrodt, economics minister, has won the argument but was forced to compensate Mr Jürgen Rüttgers, research and technology minister, with control over preparations for the Expo world fair in 2000 and another agency which approves industrial standards.

The law receives its first reading in parliament tomorrow and officials in Bonn hope it will be passed by June.

Meanwhile, the monopoly commission urged the government to press ahead with full-scale privatisation of the electricity utilities which are hoping to become leading telecoms operators. The commission said competition in the German telecoms market would only be effective if companies such as RWE, Veba and Viag no longer had regional electricity monopolies. *Michael Lindemann, Bonn*

Conductor quits in culture clash

Mr Gerd Albrecht, the German chief conductor of the Czech Philharmonic Orchestra, resigned yesterday after a long and bitter artistic row that became inextricably linked with a recent sharp deterioration in Czech-German relations.

Mr Albrecht was distrusted by the Czech cultural establishment for allegedly neglecting works by the Czech composers Smetana, Janáček and Dvořák that are at the heart of the orchestra's repertoire. He also became embroiled in disputes with the culture ministry over money and with President Václav Havel. He struck a further discordant note by accusing Czechs of cultural chauvinism and claiming to be a victim of anti-German feeling.

The row became increasingly political at a time when Prague and Bonn are deeply divided over a joint declaration that would finally settle issues lingering from the Nazi occupation of Czechoslovakia and the expulsion of 2.5m Sudeten Germans in 1945. *Vincent Boland, Prague*

Italian newspaper price probe

Italy's anti-trust authority has asked the country's media watchdog commission to investigate whether the daily newspapers are operating a price cartel.

Newspapers prices were notionally liberalised in 1988. However, the authority yesterday released a table showing that the first three years of the liberalisation, only one newspaper adopted a different price, the business paper Il Sole 24 Ore, and this was in the third year. Even today, the prices are only different in the case of Sole 24, and the best-selling sports daily Corriere dello Sport, though a new four-page daily broadsheet, Il Foglio, was launched at L1,000 (41 pence) by Mr Giuliano Ferrara, main speech writer for former premier Mr Silvio Berlusconi.

Profits have been undermined by steep increases in newsprint costs and ever more burdensome staff overheads in a saturated market. *Robert Graham, Rome*

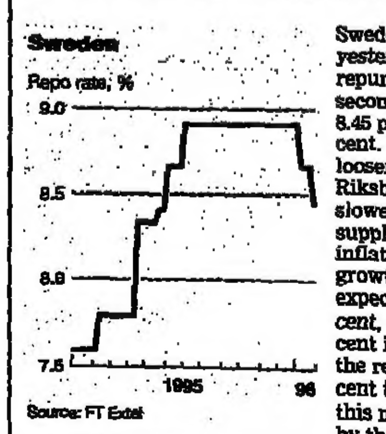
Berlusconi denial on Mafia cash

Mr Silvio Berlusconi, the former Italian prime minister, yesterday denied before a court in Catania, Sicily, that the Standa stores chain in his Fininvest business empire had ever received threats or paid protection money to the Mafia. He was a witness at a trial at which the public prosecutor claimed all the other big stores in the city had paid protection money.

Standa's main store in Catania suffered an arson attack in January 1990 causing L14bn (£6m) of damage. Subsequently a Catania Mafia member claimed the attack was designed to force Standa to pay protection money and buy foodstuffs from Mafia-controlled companies. The same person also alleged a Berlusconi aide had met the dominant Santapaola clan – a claim denied by Fininvest. *Robert Graham*

ECONOMIC WATCH

Sweden lowers its repo rate



Source: FT Extel

Sweden's central bank yesterday cut its key repurchase rate for the second time this month to 8.45 per cent from 8.66 per cent. The cut underscored a looser monetary policy by the Riksbank as worries about slower growth have supplanted concerns about inflation pressures. Economic growth this year is now expected to fall below 2 per cent, compared with 3.5 per cent in 1995. The reduction in the repo rate from 8.91 per cent to 8.66 per cent earlier this month was the first cut by the Riksbank since August 1994. Publication of proposals earlier this month by Mr Göran Persson, the finance minister and prime minister-in-waiting, for increases in welfare payments, tax rises and extra spending to cut unemployment also upset financial markets still worried by Sweden's high debt levels. But the markets appeared to welcome yesterday's interest rate cut as a positive step. Long-term interest rates fell back and the krona was steady. *Hugh Carnegy, Stockholm*

■ Average unemployment in the Netherlands fell to 538,000 or 8.1 per cent of the workforce in 1995 from 547,000 (8.5 per cent) the year before, according to the central statistics bureau's annual labour market survey.

■ German engineering orders fell 10 per cent in real terms in December from a year earlier, the industry association said. In the final quarter of 1995 orders were 8 per cent lower.

هكذا من الأصل

Dispute at EU over contract tendering

By Caroline Southey in Brussels

The European Parliament is set to spike European Commission proposals aimed at ensuring a level playing field for EU and non-EU companies tendering for large public sector contracts in the Union.

The Parliament's monetary affairs committee last week rejected proposals to modify the EU's procurement laws to bring them in line with an international agreement which applies rules ensuring fair and open competition to more contracts and bidders than current EU rules, and under which companies failing to win a contract have the right to be told why.

The Commission has reacted furiously to the decision, which could be backed by a full vote of the Parliament next month.

The EU, along with seven other countries, is signatory to international rules – the Government Procurement Agreement (GPA) – which provide guarantees of fair and open competition for public sector contracts.

The international accord gives EU companies access to Ecu450bn ($570bn) worth of contracts a year outside the EU and reciprocal rights within the EU to companies from the US, Japan, Canada, Korea, Israel, Norway and Switzerland.

The Commission believes changes to EU procurement directives are necessary to ensure EU companies are not discriminated against under GPA, which was negotiated under Gatt and came into force on January 1.

But the parliamentary committee, backed by a powerful industrial lobby, argued that the Commission's proposed changes went beyond the adjustments needed to comply with the GPA.

"It is true the legislation has to be adapted, but the Commission wants too many changes. It is going too far," one lobbyist said.

The Commission believes the campaign against the proposals has sought to distort the scope of the changes. "Opponents to the EU's liberalised procurement regime are simply using the opportunity to attack the system," an EU official said.

The Commission appears to have incurred the wrath of some industries because it has argued that the proposed changes should apply to all sectors and aspects of procurement policy, not just those covered by the GPA. "The Commission's intention was to create a level playing field inside the internal market. As a first shot it went for across the board changes," an EU official said.

Among changes being sought by the Commission was a reduction in the threshold for some contracts to make sure that contracts advertised for third-country bidders under the terms of the GPA, which are in some cases lower than in the EU, are also available to EU companies.

"Without this adjustment foreign companies would have rights and guarantees provided by the GPA which EU companies do not have under EU directives," an EU official said.

A change was also being sought to the rules governing "technical dialogue" – the process whereby utilities talk to potential suppliers ahead of concluding a deal.

EU officials thought the Commission would be obliged to return to the issue even if the Parliament voted against the proposals. "It is impossible just to leave a situation where foreign companies are better off than EU ones," the EU official said.

Venice vows to restore La Fenice

Robert Graham and **William Packer** report on the aftermath of the opera house fire

The Italian government yesterday treated the gutting of Venice's historic La Fenice opera house on Monday night as a national disaster. Estimates put the cost of full restoration as high as L500bn ($312m).

Offers of help poured in from all over the country to restore the 200-year-old opera house, a source of inspiration for Italy's main composers. La Fenice commissioned Verdi's best-known works, *Rigoletto* and *La Traviata*. It also witnessed the debut of the late Maria Callas.

The marble façade of La Fenice – which means phoenix – was the sole part left unscathed.

Perhaps symbolically the gilt phoenix with a scroll over the entrance saying Gran Teatro la Fenice was not even singed. But the roof had collapsed, the interior reduced to mounds of charred smoking rubble; while the side walls were in a precarious condition.

Mr Massimo Cacciari, the philosopher mayor of Venice, was seen close to tears surveying the damage. He vowed that the opera house would be fully restored as soon as possible.

Luciano Pavarotti, the tenor who had sung many of his favourite roles there, said: "I'm distraught: it was our jewel."

La Fenice opera house at the height of Monday night's fire and yesterday. Only the external walls and the foyer were saved AP/Reuter

Firemen yesterday ruled out arson – the cause of the fire in 1991 that destroyed the Petruzzelli opera house in Bari.

The theatre, owned and operated by its box holders, the Nobile Società – the Noble Society – was in the final stages of a nine-month restoration. It was due to reopen in March with a Woody Allen clarinet concert.

The fire broke out in a top floor storeroom connected to the theatre. Due to the large amounts of wood in the roof, flames spread rapidly, causing the boxes that lined the walls to collapse. Within an hour the flames had virtually gutted the 700-seat interior.

Firefighting efforts were hampered by most of the canals closest to the Fenice having been recently drained for a clean-out. Firefighters used a helicopter to pick up water from elsewhere in the city and drop it into the flames.

As flames rose on Monday night above the rooftops, reflecting a warm rosy glow on the palaces around the Grand Canal, there were fears for other historic buildings. Sparks from the blaze rained down all around and burning embers were falling from the sky at the Giudecca Canal, more than 2km away.

La Fenice, a neo-classical masterpiece by Giannantonio Selva, who was active in Venice around the fall of the republic, means a great deal to the Venetians.

Completed in 1792 it had already suffered a serious fire in 1836, after which its interior was rebuilt. La Fenice is, or rather was, not one of Venice's oldest monuments; but it was as beautiful as any. Byron described it as the finest opera house in Europe.

During the Austrian occupation, which lasted 50 years after the Napoleonic wars, the theatre became something of a symbol of the passive resistance of the Venetians to their oppressors – even the grandest Venetians refused to take boxes and sat in the stalls, failing to applaud the performances in a public demonstration which would not be labelled as subversive.

The state-run Venice opera company averages 12 productions a year and the theatre also stages a distinguished programme of concerts.

The company is currently on tour in eastern Europe. Among the productions scheduled just after the opening in March was a new version of Mozart's *Don Giovanni*.

Chirac bids to rebuild French image in US

By Andrew Jack in Paris, Tony Walker in Beijing and William Dawkins in Tokyo

President Jacques Chirac flies to Washington today hoping to put behind him the diplomatic damage caused by nuclear tests in the Pacific and present a more constructive image of French security policy.

He will reaffirm his keenness for an early comprehensive test ban treaty (CTBT), and discuss with President Bill Clinton the practical implications of France's new-found willingness to co-operate more closely with Nato.

France has proposed to its Nato partners a political dialogue on the role of nuclear weapons, in a step back from its traditional insistence on total independence in nuclear matters.

The US has warmly welcomed France's rapprochement with Nato and is keen to define the new French role in the alliance as soon as possible. But some diplomatic fall-out from the six nuclear explosions conducted in French Polynesia since last autumn, in defiance of western public opinion and most governments in the region, appears to be lingering.

Monday night's announcement in Paris that nuclear tests had been completed drew a chilly response from the Japanese government, suggesting that it will take some time for bilateral relations to mend.

Mr Yukihiko Ikeda, foreign minister, reiterated criticisms of France for defying world opinion and called on France "to contribute in a more active manner to conclude a CTBT at the earliest possible time."

Japan hoped negotiations on a test ban could largely be completed this spring, paving the way for signature in the autumn. The issue is likely to rank high on the agenda when Mr Chirac visits Tokyo later this year.

Mr Seiroku Kajiyama, Japan's chief cabinet secretary, echoed Mr Ikeda's coolness. "It is extremely regrettable that France conducted the nuclear tests in defiance of protests from our country and the international community," he said.

China affirmed yesterday that it would continue its underground nuclear test programme until a test ban came into force.

"The position of the Chinese government on nuclear testing is clear-cut and remains unchanged," said China's official spokesman. "China has conducted a very limited number of nuclear tests and things will continue to be that way."

Mr Chirac moved to repair France's battered image in the Pacific region by announcing annual payments of FFr990m ($190m) a year for the next decade to French Polynesia, counter-balancing the effects of the removal of two military bases there.

He said the two uninhabited atolls of Mururoa and Fangataufa, on which the six tests were carried out, would be restored to "pre-test conditions" and steps would be taken to help boost the local economy.

Meanwhile, trade figures released in the past few days have shown that while there were calls for boycotts of French products, the economic effect on exports was more symbolic than substantive.

EU retreats on Turkish human rights

By Lionel Barber in Brussels

EU member states have secretly watered down provisions on human rights and democracy in Turkey which formed an intrinsic part of a Ecu875m ($476m) aid package for the Ankara government.

The retreat on human rights has provoked protests from the European Parliament which understood that the conditions were linked to its approval last month of the EU customs union with Turkey. Senior Brussels civil servants and representatives of the European Parliament were yesterday trying to defuse the dispute over human rights – the largest single problem in Turkey's relations with Europe.

The dispute is part of a broader power struggle over foreign policy between MEPs and the Council of Ministers representing the 15 member states.

The initial draft of the financial aid regulation – put forward by the European Commission and supported by the European Parliament – allowed the Council to take action in the case of human rights violations in Turkey by a qualified majority only.

The Council has since watered down the human rights language substantially and made retaliatory measures subject to the far tougher hurdle of a unanimous Council vote.

A second provision in the text states that: "They (the measures) shall be adopted for a limited period, which may be extended by a decision of the Council acting according to the same procedure."

Mr Alex Falconer, MEP for Mid Scotland and Fife, last week wrote to the 15 EU foreign ministries in protest at the altered text, expressing outrage that member states' parliaments and citizens were being bypassed by the Council.

"How bad will things have to get before all member states agree any action against Turkey? It is likely to be an extremely rare occurrence. Any number of qualifications on human and democratic rights could be written into the Customs Union and the financial co-operation arrangement. The Turkish government could safely ignore them."

Council officials said yesterday the changes in the text were the legitimate prerogative of member states, and that the Parliament was chiefly interested in winning more powers on foreign policy, specifically via the right to be "consulted" before any action by the Council.

The officials pointed out that consultation with Parliament could lead to delay of up to two months, further cramping the Council's ability to act decisively on EU foreign policy.

But Mr Falconer said that many MEPs had only agreed to support the customs union with Turkey last month on the understanding that their human rights concerns could be accommodated in the text on financial aid.

The Parliament approved the customs union by 343 to 149, dropping earlier threats to veto the accord because of concern about Turkey's commitment to human rights and democracy.

Liberals urge prime minister to challenge Yeltsin

By John Thornhill in Moscow

Russia's embattled liberals, who feel betrayed by President Boris Yeltsin's lurch towards nationalist hardliners, are trying to draft Mr Victor Chernomyrdin, the moderate prime minister, as a candidate for June's presidential elections.

Izvestiya newspaper said yesterday that democratic groups in St Petersburg were already rallying to Mr Chernomyrdin's cause. It also suggested the political council of the Our Home is Russia movement, which contested last month's parliamentary elections, would decide by February 16 whether to back a presidential bid by its leader.

Mr Chernomyrdin, who is in Washington to discuss a $9bn International Monetary Fund loan, has publicly rejected the possibility of running against Mr Yeltsin, should the president decide to seek re-election. But it is thought that he may yet decide to break with the president – especially if widespread rumours that he will soon be sacked are borne out.

Mr Yeltsin yesterday strengthened the impression he will seek re-election by calling for a "non-aggression pact" with the communist-dominated parliament. Mr Yeltsin says he would announce whether he will run by February 15.

It would be an ironic twist if the liberal parties rallied around Mr Chernomyrdin as their saviour. He was castigated by those same pro-market reformers, when he succeeded Mr Yegor Gaidar as prime minister in 1992, as being too conservative.

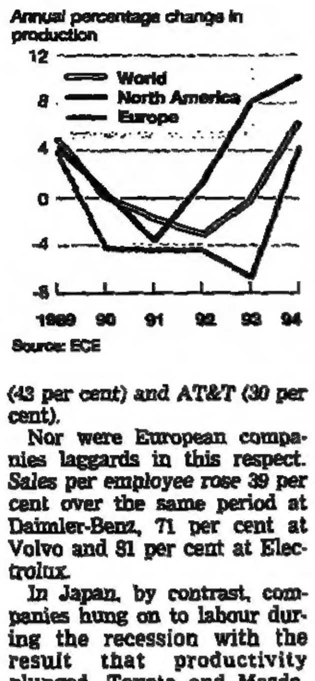
NEWS: INTERNATIONAL

Engineering recovery set to continue

By Frances Williams in Geneva

Engineering industries

Annual percentage change in production



Source: ECE

The recovery in the world's engineering industries is expected to continue into 1997, especially for investment goods such as machine tools, robots, computers, office machinery and telecommunications, according to a report by the United Nations Economic Commission for Europe*.

After dipping to a recessionary low in 1992, the engineering industry worldwide recorded growth of more than 6 per cent in 1994. Forecasts for individual industries suggest continued buoyant expansion between 1995 and 1997, the report says.

Although most forecasters have downgraded predictions for overall economic activity last year and this, the ECE notes that sustained high investment is creating bright prospects for much of the engineering sector.

Thus the semiconductor industry is predicting 26 per cent growth in production in 1996 after 40 per cent last year, while sales of personal computers are forecast to rise 16 per cent in 1996.

However, the US aircraft industry is still in a slump and demand for motor vehicles will remain sluggish, the report says.

Despite the surge in production since 1992, engineering companies in the US and Europe have not expanded employment since they undertook drastic restructuring measures to cut losses and improve profitability in the recession.

This has led to some spectacular productivity increases, the ECE points out.

US examples cited include Microsoft, which boosted sales per employee by 45 per cent between 1990 and 1994, Texas Instruments (96 per cent), Ford (43 per cent) and AT&T (30 per cent).

Nor were European companies laggards in this respect. Sales per employee rose 39 per cent over the same period at Daimler-Benz, 71 per cent at Volvo and 81 per cent at Electrolux.

In Japan, by contrast, companies hung on to labour during the recession with the result that productivity plunged. Toyota and Mazda, the motor manufacturers, saw sales per employee fall by nearly a quarter, while in the electronics sector NEC suffered a drop of 37 per cent and Toshiba 31 per cent.

The report also notes that Japan's export industry is far more heavily geared to engineering than elsewhere. More than three-quarters of Japan's total goods exports in 1994 originated from the engineering sector compared with just over half for the US and Germany. The latter countries also had much higher ratios of engineering goods imports.

**World Engineering Industries and Automation: Performance and Prospects 1994-96 (Sales No. E.96.II.E.5), from UN Sales Section, Palais des Nations, CH-1211 Geneva 10. $75.*

Terrorism in retreat in Upper Egypt

Curfew-free Assuit prepares to welcome tourists back, says James Whittington

Assuit, the provincial capital of Upper Egypt, no longer lives up to its reputation as a hot-bed for dangerous Islamic militants. A mixture of iron fist security operations, increased money for development, and attractive investment incentives are working to transform the town from a terrorist base to a revitalised centre for commerce and industry.

The dawn to dusk curfews have long been lifted. Egyptian special forces have moved on to other trouble spots, and what was only last year a no-go area to foreigners is readying itself to welcome back tourists.

"We've turned our back on the past and are focused on one main objective: To get people to Assuit for investment. This is the only way we can avoid a repeat of what's happened here," says Mr Kadrie Abu Hussein, general secretary of the town's governerate.

As a sign of the times, Assuit's new governor, Mr Mohamed Ragai al-Tahlawi, who was appointed last week, was taken from the town's university rather than the ranks of the police like his predecessors.

Located on the broad fertile plains of the Nile, 375km south of Cairo, Assuit is typical of Upper Egypt which has a distinct character from the rest of the country.

After decades of neglect, the region is generally poorer and less developed than the rest of the country. Per capita income, at about $330 a year, is about half that of the rest of the country while infant mortality rates, adult illiteracy and unemployment is noticeably higher.

Assuit itself, once a prosperous centre of private enterprise, suffered particularly badly from the nationalisation policies of President Gamal Abdel Nasser, its most famous son, who overthrew the colonial British-backed monarchy in 1952. The gradual decline in living standards, increased unemployment, especially among high school graduates, and the seeming indifference to the region's plight by successive government's in Cairo subsequently proved a fertile breeding ground for radical Islamist groups.

It was in Assuit University in the 1970s that the formation took place of the militant group *Gamma'a al-Islamiya* which has been behind much of the insurgency over the past few years.

Young *sa'idis* (or southerners) from poor families with little hope of anything better than a dull and badly-paid job in the public sector proved ideal recruits to the radical brand of Islam which the *Gamma's* touted as the only solution to save the region from social and economic malaise.

"People here have been living in unrealistic conditions for so long it's not surprising that some were persuaded to make trouble. It was not a religious dispute or real fanaticism, it was simply the drastic economic situation," says Mr Mokhtar Hussein, a wealthy Egyptian who has come back to his family's roots to invest in the new Assuit with a number of agro-industry projects and a new luxury hotel.

> 'People here have been living in unrealistic conditions for so long it's not surprising that some made trouble. It was not a religious dispute or real fanaticism'

Islamist violence erupted in Egypt at the end of 1992 when the *Gamma'a* vowed to overthrow President Hosni Mubarak's government. While occasional attacks against senior government officials and tourists in Cairo made the headlines in the foreign press, many areas in Upper Egypt were subject to an almost daily dose of bloodshed.

In Assuit, the town's large Coptic community, a Christian minority, which traditionally prospered as landowners and merchants, were a favourite target for the militants and by December 1993, thousands of extra police troops had to be called in and all roads to the town sealed off to try and subdue the violence.

"The situation was terrible. We were always scared of being attacked by one of the terrorists but were more scared of the police who were very provocative. Whenever they got together in groups there was always trouble," said one Copt who declined to be named.

Once security was under control the government beefed up its intelligence and surveillance operations and moved swiftly to try and alleviate some of the area's economic problems.

Public money was found to upgrade the town's infrastructure, build new roads and bridges and investment incentives were announced to attract the private sector with free land and tax exemptions.

"One of the most important things to do is to try and change the mentality of the lower classes and particularly the young. We have to create jobs, put money in their pockets, and give them a sense of opportunity and entrepreneurship," explains Mr Fouad Fattah, who arrived in Assuit at the end of 1992 to set up a regional office of the government's Social Fund for Development, one of Egypt's most successful programmes aimed at helping the underprivileged.

The Fund, which is backed by the World Bank and donor countries, has so far spent EGP108m (£21.1m) in grants, for public and community works, and credit lines to more than 2,400 small enterprises throughout the governerate.

Mr Ibrahim Lofti Dobbes, who borrowed EGP100,000 with his brothers to set up the first rubber parts factory in Upper Egypt, says the money has made a huge difference to his family and his village. With 24 employees he works a two-shift day to keep up with orders. "Without this money we would still be waiting for a job with the government," he says.

Despite the turnaround in Assuit's fortune's, however, trouble is never far away.

Only 87km north of Assuit is the town of Malawi where special forces are still battling with militant renegades. "The terrorist action pushed the government to do something for this area but this mustn't be a one-off, unless the people feel a difference on a personal level there will be trouble again," warns private investor, Mr Hussein.

Cairo votes to scrap new tenancy rent controls

By James Whittington in Cairo

Egypt's housing market has been given a long-awaited shot of deregulation after the newly elected parliament yesterday scrapped rent controls for all new tenancy agreements.

The change, recommended by the International Monetary Fund, will not only free future rentals but will also give landlords the right to evict future sitting tenants. The amendment to the old housing law will not apply to an estimated 95 per cent of Egypt's housing stock where rental agreements already exist.

"This will cause a gradual revolution in the housing market," said Ms Sahrine Luca of rental agency Foresight Property Services. "It will remove the difficulties for landlords in renting property to Egyptians by enshrining new tenancy agreements in the law which will help to create a real market for rented accommodation."

"Its a step in the right direction," said one local economist. "But the huge difficulty remains of how to deregulate the existing occupied housing."

With more than a quarter of Egypt's 60m citizens living on less than $35 a month and barely able to cover their fixed rents, the government feared a wholesale change to the housing law would have caused social unrest.

Since taking over as prime minister at the beginning of this month, Mr Kamel al Ghanzouri has managed to breathe some life into Egypt's slothful economic reforms. Last week he reduced customs duties on a list of capital goods and he has set in motion a series of reforms to encourage investment.

Under the old rental system, the market became so distorted that a wealthy family living in a large apartment in a prestigious area, such as Zamalek overlooking the Nile, could be paying the same as their maid renting a room in the slums of Imbaba.

On top of the monthly rent, tenants pay a down-payment in the form of key-money which for most Egyptians requires years of saving. However, once settled they have been virtually guaranteed a lifetime's accommodation and would often pass on their rental agreements to their children.

As a result, landlords have been either deterred from renting their properties or have left their occupied housing to crumble away through lack of maintenance.

The construction of informal housing has helped cater for those who cannot afford to pay key-money, exacerbating already overcrowded urban areas.

For middle income housing, many landlords preferred to leave their apartments vacant rather than see them taken away by sitting tenants. In Cairo alone there are an estimated 2m empty properties.

Southern Africa to seek free trade zone

By Roger Matthews in Johannesburg

Ministers from the 12 member nations of the Southern African Development Community yesterday concluded a three-day meeting with a commitment to reduce tariff barriers and work towards the creation of a free trade area.

The pledge is an essential part of SADC's long-term strategy to reduce its dependence on aid and encourage regional and foreign private sector investment. Ministers and officials from the 12 delegations will over the next two days meet representatives from Nordic countries, the EU and industrialists to discuss ways of attracting more private sector investment.

"Hearing what the business community has to say about what we must do to attract investment is critically important for us," said a SADC official.

Mr Kaire Mbuende, the executive secretary of SADC, said the most important decision had been to prepare a protocol for removing trade barriers which would be signed at the organisation's summit in August. "The aim will be to replace the present series of bilateral trade agreements with a single multilateral protocol. Trade ministers will meet in June and the final draft should be ready for the summit in Lesotho," he said.

Mr Mbuende said other elements of the trade protocol would be the creation of a single negotiating forum, the reduction and eventual elimination of non-tariff barriers, proposals for the creation of a "financial facility" to promote industrial development, the sharing of information and research, and giving formal notification to the World Trade Organisation of SADC's intention to create a free trade area in southern Africa.

Negotiations are likely to prove tough, however, because of the great economic disparities between the 12 countries. South Africa is sensitive of the extent to which it dominates the organisation economically, and officials stressed yesterday that its prime concern was to help member countries reach a similar level of development.

The members of SADC are Angola, Botswana, Lesotho, Malawi, Mozambique, Mauritius, Namibia, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.

INTERNATIONAL NEWS DIGEST

Tanzania and Uganda SE move

Uganda and Tanzania will have operational stock exchanges by mid-year, senior officials from Kenya's two East African neighbours said yesterday. The launches of the two bourses are part of wide-ranging economic reforms. The officials, interviewed in Nairobi, said the first share flotation in Kampala, Uganda's capital, would be next month and a stock exchange would be set up in Dar es Salaam, Tanzania's economic capital, by June 30.

The officials spoke on the sidelines of a Nairobi conference on capital issues in emerging markets.

The Kampala bourse has held trial trading for some time and officials said interest from private business was robust. Mr John Kaggwa, an official at Uganda's central bank, said Uganda was encouraging foreign investors and foreign brokers to take a lead on the bourse because officials knew that harnessing finance from local sources was not easy.

Uganda began the path of economic reforms in 1986 with the rise to power of President Yoweri Museveni, an economist and political scientist who had fought a five-year bush war.

In 10 years of governance, Mr Museveni has brought relative prosperity to a nation once dubbed the "Pearl of Africa". The Kampala bourse is expected to rely on privatisations of government companies.

Tanzania began liberalisation in earnest with President Ali Hassan Mwinyi, who took over from founding socialist president Julius Nyerere in 1985. Mr Mwinyi's liberalisation of trade and markets was slow and the mantle has been passed to Mr Benjamin Mkapa. *Reuter, Nairobi*

UN to stay in Western Sahara

The United Nations mission trying to arrange a referendum on the future political status of the former Spanish territory of Western Sahara is being allowed a few more months to continue its efforts.

The Security Council was expected to adopt formally last night a resolution extending the mandate of the 370-member international mission, known as Minurso, until May 31.

Its task is to identify and register people entitled to vote in a referendum that would decide whether to declare Western Sahara independent or confirm its incorporation in the kingdom of Morocco. The Moroccans control most of the territory but their presence is opposed by the Polisario Front independence movement.

The proposed referendum has run into repeated snags and is four years behind the deadline originally set for its completion. The resolution prepared in lengthy private consultations for Council action – which diplomats said would be unanimous – would declare the world body's "deep concern about the stalemate which has been hindering the identification process."

Polisario and the Moroccan authorities would be urged to co-operate with the UN to overcome the obstacles and invite it to find new ways to create a climate of mutual confidence. *Michael Littlejohns, New York*

Kazakh parliament reopens

Kazakhstan's president Nursultan Nazarbayev reopened parliament yesterday after a gap of nearly a year, telling it not to repeat the mistakes of its predecessor and speed reforms in the former Soviet republic. Parliament reconvened at the end of a 10-month break during which Mr Nazarbayev held referendums to prolong his term and boost his powers over this vast oil-rich republic of 17m people.

"We need to...finally stabilise the economic, political and social situation and enter a new stage of development," the former Soviet politburo member said in a one-hour speech.

The deputies could have a tough task winning the trust of the Kazakh public as their predecessors had a reputation for being slow to pass legislation. The Soviet-era Supreme Soviet dissolved itself in late 1993 while the next parliament, elected in March 1994, was dissolved a year later after its election was ruled invalid.

Analysts say Mr Nazarbayev engineered that dissolution because the deputies passed just seven laws in a year. He has since issued over 80 decrees. *Reuter, Alma Ata*

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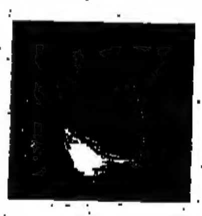
Real international understanding starts here.



Deutsche Telekom, France Telecom and U.S. company Sprint have now joined forces to create a unique new global communications alliance. For customers who need to operate right around the world, the result will be tailor-made performance of the highest possible quality, on a truly global basis.

Nowadays, companies aren't just selling worldwide: they're also developing, purchasing and manufacturing in a variety of different international locations. Hence the explosion in demand for high-quality global communications. To satisfy this demand, we have pooled the cream of European and American telecommunications resources in a unique three-way international partnership.

In the words of the U.S.A.'s Forrester Research Institute: "Together, Deutsche Telekom, France Telecom and Sprint form what is probably the strongest alliance in the world." They go on to highlight our common vision, compatible products, virtually complete international coverage and vast combined experience in network technology.

In short, this alliance promises unrivalled professionalism and integrated expertise. Indeed, from the start, some 2,100 specialists in more than 50 countries will be putting their global network skills at the disposal of companies who need to be able to communicate right round the world.

Together with France Telecom, we have set our sights on revolutionising international communications in the world's single largest market place: the European Union. France Telecom can boast outstanding performance and many years' experience in the field of global data services. While, as a serious performer in all the major international markets, Deutsche Telekom offers not only the densest fibre optics network in Europe but also satellite capacity from all the leading operators, not to mention top quality connections, particularly to Eastern Europe. With Sprint joining the partnership, we can now add a truly global dimension to our pioneering work in Europe. As a major international company in its own right, Sprint will contribute both its own domestic networks in the U.S. and its excellent connections in the Pacific Rim.

Deutsche Telekom – you couldn't be in better company for the future. Deutsche Telekom is Europe's No. 1 telecommunications company – and the second largest network operator in the world. In Germany, we have the largest ISDN network, the densest fibre optics network and the most extensive broadband cable network: and all three are accessible on the world's most sophisticated Infobahn.

Add the resources of our new worldwide consortium and you have an international communications capability which cannot fail to benefit your business.

Our connections move the world.

Deutsche Telekom

Singapore attracts 17% investment boost

By Peter Montagnon, Asia Editor, in Singapore

New investment commitments in Singapore's manufacturing sector rose 17 per cent last year to S$6.8bn (£3.2bn), holding out prospects that the island republic will be able to sustain high economic growth in the medium term by boosting productivity and upgrading skills, the Economic Development Board said yesterday.

The largest beneficiaries were the chemicals and electronics sectors, which accounted for 42 per cent and 39 per cent of new commitments respectively. Mr Philip Yeo, EDB chairman, said investment by local Singaporean companies was also high for the second year running. It accounted for 28.7 per cent of total commitments, compared with its traditional share in the mid-teens.

Singapore's overall economic growth rate fell last year to 8.9 per cent from 10.1 per cent in 1994, but government planners believe the economy can sustain an 7 per cent growth rate between now and 2000. Manufacturing industry should grow equally fast so that it maintains its 25 per cent share of the overall economy, Mr Yeo said.

Mr Yeo said Singapore had lost some projects last year to European countries prepared to subsidise them to cut unemployment. But though Malaysia and Thailand were also seeking to establish wafer fabrication plants, Singapore had "a head start" in attracting high value-added investment to the Asia-Pacific region.

Singapore has been trying to promote itself as a regional manufacturing centre, offering innovation and research skills to multinationals wanting a presence in the Asia-Pacific region. It also offers financial risk-sharing and co-investment schemes to companies investing outwards into the region from Singapore. The government yesterday formally announced the launch of a Singapore industrial park in Vietnam, along the lines of that already established in Suzhou, Southern China.

Further initiatives planned for 1996 include new incentives, including tax concessions on remission of profits and service income for companies that set up regional manufacturing headquarters in Singapore. This scheme will complement concessions already available to multinationals using Singapore as a regional administrative headquarters.

Mr Yeo said it was targeted at companies using Singapore to provide manufacturing support services to other companies in the region.

Japan jobless still at record level

By William Dawkins in Tokyo

Japan's unemployment rate stagnated in December at a record 3.4 per cent for the second month in a row, but government officials greeted a slight improvement in the labour market as a sign of better times ahead.

In another moderately encouraging sign yesterday, the government's Economic Planning Agency said that its index of leading indicators stood at 60 in November, the second month in which it has remained above the 50 dividing line between growth and decline.

The index, a basket of economic indicators including money supply, housing starts and industrial production, pointing to conditions up to six months ahead, stood at 72.7 in October. The EPA's index of coincident indicators, measuring current economic conditions, stood at 50.

Yesterday's unemployment figures, however, cast a continuing shadow over consumer demand. The December unemployment result left average unemployment last year at 3.2 per cent, the worst ever, during a time when the economy was struggling to emerge from the longest recession since the 1930s.

The number out of work by the end of December reached 2.11m, up by 340,000 or 19.2 per cent from the same month the previous year. Total employment fell by 0.2 per cent to 63.99m.

The jobless rate might look low by international standards, but Japan's labour ministry uses a uniquely tight measure to define people out of work. Economists in Tokyo believe that the underlying level of joblessness, on the same criteria as used by the US, may be double the officially published rate.

Worst hit were young people. The official jobless rate among those aged between 15 and 24 rose by 0.7 of a percentage point to a record 6.1 per cent last year. They are victims of Japanese companies' companies use of recruitment curbs to trim their work forces, a strategy dictated by the social unacceptability of making heavy redundancies among existing workers.

Manufacturing companies, responding to surplus capacity and fierce Asian competition, were the fiercest labour cost cutters. They trimmed their workforces by 2.2 per cent over the year to December.

Jobs were, on the other hand, created in construction, where a 1.4 per cent rise in the number of workers over the same period reflects a public spending boost on infrastructure. Retailers, wholesalers and restaurants increased staff by 1.3 per cent, while employment in the service sector as a whole grew by just 0.4 per cent over the period.

Overall, the number of jobs available per 100 job seekers rose by two from November to 65 last month, the third monthly increase in a row.

Keidanren takes up policy dialogue

By William Dawkins

The Keidanren, Japan's top business federation, yesterday convened its first ever formal policy talks with the government, in an attempt to restore the influence of business in Tokyo's tangled politics.

Thirty senior officials led by Mr Shoichiro Toyoda, Keidanren's chairman, and his six vice-presidents, held consultation talks with Mr Taku Yamasaki, the ruling Liberal Democratic party's head of policy.

The dialogue, a Keidanren initiative, is the first in a series. While initially bland, it embodies the more open government approach advocated by political reformers. It marks a break with three years of political upheaval, during which the Keidanren's once pivotal influence has waned.

Mr Yamasaki underlined to his Keidanren audience the LDP's commitment to running a stable government with its two coalition partners, rather than submitting to pressure for a quick election. He explained that the LDP would stick to its policy of using public money to bail out savers in bankrupt housing loan companies, now the subject of a heated parliamentary debate.

In return, Mr Toyoda stressed the Keidanren's desire for economic deregulation and its support for proposals to move the centre of government out of Tokyo. He also called for cuts to bring corporate and personal income taxes more in line with international norms, to be financed by a rise in sales tax and reductions in government spending.

The Keidanren intends to hold two to three such meetings per month with senior members of the LDP and other political parties, including the opposition New Frontier party, said an official. The next guest, next Tuesday, will be Mr Junichiro Koizumi, a former posts and telecommunications minister, who unsuccessfully stood against Prime Minister Ryutaro Hashimoto for the LDP leadership last September.

"The aim is not so much to influence politicians as to let them know what we are thinking about and to find out what they are thinking before they make proposals," said a Keidanren official.

The Keidanren was popularly seen as one side of the "iron triangle" of business, politics and bureaucracy that conspired to run Japan, until it signalled its discontent with the old system in 1993 by ending the practice of channelling members' political donations, chiefly to the LDP. But there was no regular policy dialogue between Keidanren and government even when it was making political donations.

Keidanren members started discussing formal consultations with politicians soon after the retirement two years ago of the former chairman, Mr Gaishi Hiraiwa.

Force an option, Li tells Taiwan

By Tony Walker in Beijing

Li: no reunification timetable

China yesterday renewed its strong criticism of Taiwanese leaders' efforts to achieve greater independence, but stopped short of laying out a timetable for reunification.

Premier Li Peng, speaking on the first anniversary of the release of an eight-point plan for reunification by President Jiang Zemin, repeated that China had not renounced the use of force to recover Taiwan. "We have consistently encouraged the peaceful reunification of the motherland, but in the final analysis we cannot promise to give up the use of force."

Hong Kong newspapers had reported that China may use the occasion to provide step-by-step plans for reunification, but there was no hint of such a plan in Mr Li's speech.

Last Friday President Jiang, in an address to delegates to a new Preparatory Committee on Hong Kong, said resumption of sovereignty over Hong Kong in 1997 was the "first step" towards recovering Taiwan.

Mr Li's speech yesterday was clearly aimed at influencing presidential elections to be held in Taiwan towards the end of March. Beijing fears the poll will lead to strengthening demands for independence.

"There is only one China and Taiwan is an inalienable part of it," said Mr Li. "Whatever changes might occur in the way in which the leadership in Taiwan is chosen, they cannot change the fact that Taiwan is a part of China... It will lead nowhere if some people attempt to use the change of Taiwan leaders as an excuse to put their separatist activities in a legal guise."

China also repeated its warning to the US and other countries not to take action regarding Taiwan that might affect Sino-US relations. "Any foreign anti-Chinese power that tries to use it as a pretext to interfere in China's internal affairs will also be firmly opposed by the Chinese government," Mr Li said.

Beijing was incensed last year when the US granted President Lee Teng-hui of Taiwan a visa.

The New York Times reported last week China may be contemplating a strike against Taiwan after the election. Beijing did not deny the reports outright, allowing concern in Taiwan to build.

See editorial comment

ASIA-PACIFIC NEWS DIGEST

Indian private sector 'robust'

India's private sector has responded "impressively" to four years of economic reform, inspiring a "robust economic expansion" led by private investment and export growth, says an International Monetary Fund study* released yesterday. But the study warns India must "persevere" with reforms – addressing tighter fiscal discipline, deeper tariff cuts, labour market liberalisation and public enterprise restructuring – to emulate more strongly growing south-east Asian neighbours.

The IMF's first occasional paper on India found that following a balance of payments crisis in 1991, clear signs emerged in 1994-95 of a "vigorous" rebound marked by resurgent private investment and growth, notably in cars and consumer electronics, and with big investments planned in telecoms, power, petrochemicals and oil exploration. Obstacles to private investment remain, it says, including inadequate basic infrastructure, cumbersome state-level permit procedures, and the reservation of 850 items, including most consumer non-durables, for production only by a protected small-scale enterprise sector. *Mark Nicholson, New Delhi*

**India: Economic Reform and Growth; 74pp. $15. International Monetary Fund, 700 19th St, Washington DC*

Farmers attack fast-food outlet

Kentucky Fried Chicken's outlet in Bangalore, the chain's first in India, was attacked by about 40 farmers yesterday and forced to shut. KFC officials, who have been threatened before by the group opposed to multinationals, said they were "shocked and "appalled at the violence", and asked for state government help to restart business. The farmers belonging to the Karnataka Rajya Ryotha Sangha, an association of 10m farmers in the state, broke furniture, causing minor injuries to bystanders. When KFC opened the outlet last year, the farmers claimed fast-food chains would deplete the country's livestock and affect agriculture. *Shiraz Sidhva, New Delhi*

■ India's Supreme Court ordered a wider probe into a corruption scandal which has claimed the scalps of several top politicians and threatens to implicate dozens of others, telling the Central Bureau of Investigation to look into "every accusation against each and every person irrespective of their position and status". *AFP, New Delhi*

Japan's bailout debate boycotted

Japanese government attempts to win approval for its plan to spend public money to bail out bankrupt housing loan companies or *jusen* got off to a bad start yesterday when opposition members walked out of the first parliamentary debate on the plan. Members of the main opposition New Frontier party on the lower house budget committee said they would boycott discussion until the government provided a more detailed justification of its proposal to spend more than Y1,000bn (£6.2bn) on the scheme. *Gerard Baker, Tokyo*

■ Japan's overseas aid will total Y1,799.8bn (£11.2bn) in the year from April, down 10.6 per cent – the first fall in nine years, according to Foreign Ministry data. *Kyodo, Tokyo*

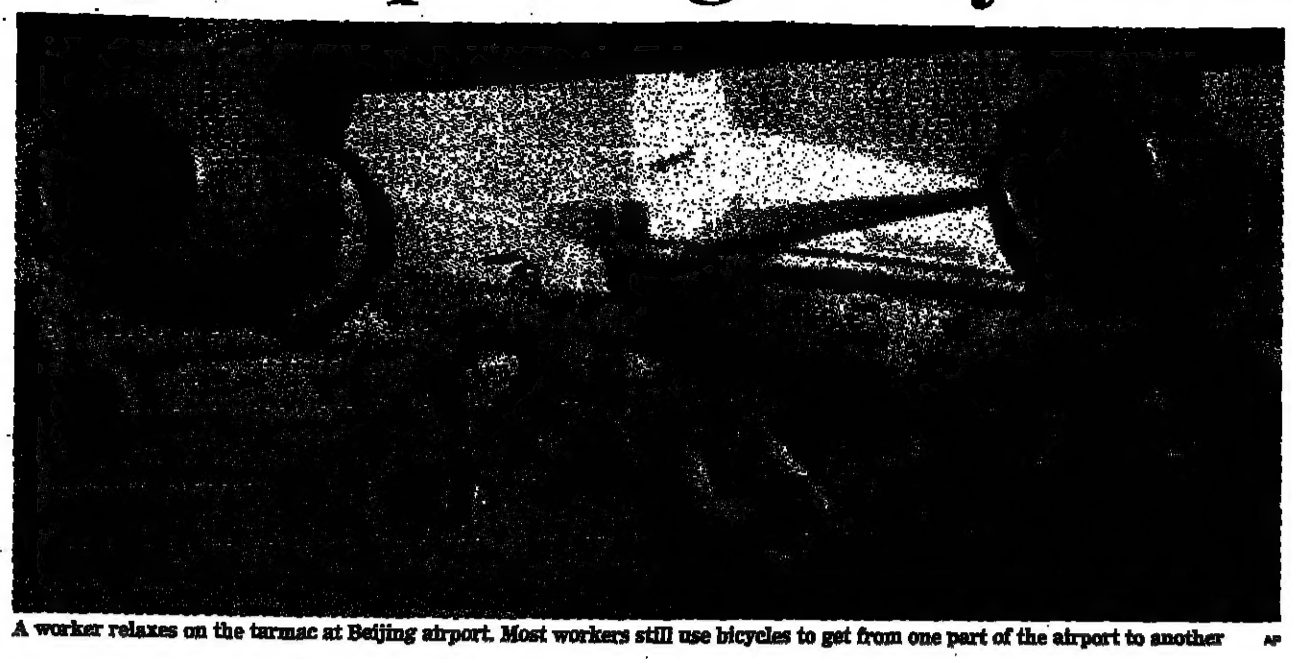
N Korea to let in nuclear teams

North Korea said yesterday it would let the International Atomic Energy Agency inspect all its declared nuclear facilities now that a US-led consortium has agreed to supply it with reactors. "The DPRK (North Korea) side notified the IAEA side that it would allow the IAEA's routine and ad hoc inspections of unfrozen nuclear facilities," the official Korean Central News Agency said. *Reuter, Tokyo*

NEWS: WORLD TRADE

China airport spending ready for take-off

By Tony Walker in Beijing



A worker relaxes on the tarmac at Beijing airport. Most workers still use bicycles to get from one part of the airport to another AP

China is accelerating the expansion of its airport network to cope with a continuing surge in passengers numbers, but has also placed a ceiling of 27 on new aircraft orders this year.

Spending on airports this year will rise by 30 per cent in line with government attempts to upgrade facilities which, in the case of the big hubs of Beijing and Shanghai, are grossly inadequate.

Beijing airport, for example, is designed for 5m passengers a year, but is handling 12-15m passengers, Shanghai airport is similarly chaotic. Passenger traffic has been growing by about 20 per cent annually.

Mr Chen Guangyi, director general of the Civil Aviation Administration of China, said Yn9bn ($1.1bn) had been earmarked for spending on airport facilities in 1996 – the first year of the ninth five-year plan.

The CAAC, which is responsible for overseeing the development of the country's domestic aviation, said it was tightening rules on purchases of new aircraft to increase efficiency.

China last year imported 21 new aircraft, but at the same time retired 11 older models, a net gain of 10 for the year. This was the smallest increase in numbers of imported passenger aircraft in any of the years of the eighth five-year plan (1991-1995).

China, which is regarded as the world's fastest-growing market for new aircraft, has some 400 commercial jets in service, of which about 200 are Boeings.

The US company estimates that sales of commercial aircraft in the country in the next two decades will be worth $100bn, making it the third biggest aviation market in the world after the US and Japan.

But for the moment, China's aviation authorities appear intent on consolidation after explosive growth in the early to mid-1990's as the country's economy grew rapidly. The number of airlines has been frozen at 32, and smaller carriers, many of which are loss-making, are being encouraged to merge.

China has also tightened operating procedures after a spate of disasters between 1992-1994 which raised questions about aviation safety. The past year has been relatively trouble free.

The authorities are now turning their attention increasingly to improving airport facilities to cope with expected average annual passenger growth of 10 per cent for the next 20 years, compared with a forecast worldwide increase of 5.1 per cent.

Mr Li Zhao, vice minister of civil aviation, said in an interview that during the ninth five-year plan the country would "do its best" to "reconstruct" 40 of the 132 airports in operation in China.

This would involve upgrading passenger facilities, and also making improvements to runways and navigation aids.

China would also seek by the year 2010 to satisfy internationally recognised standards for satellite navigation for the whole country, which would also include its remote western region.

China is devoting particular attention to Beijing airport. The terminal was completed in the early 1980s, before the full impact of economic reform and opening to the outside world was felt.

Work began last October on a new terminal with a capacity of 30m passengers a year. The terminal, to be completed in 1999, will cost between Yn7bn and Yn8bn.

China is also working on ambitious plans to relocate airports further from city areas, and build new ones. Guangzhou airport may be moved, and in Shanghai a new international airport is planned for the Pudong special economic zone on the east bank of the Hangpu river.

Vice Minister Li expects the airport reconstruction programme to cost Yn73bn during the ninth five-year plan, of which the government would provide about one-third with the balance coming from local government and foreign investors.

The amount earmarked for investment in airports to the end of the century is about three times that provided in the eighth five-year plan.

Numbers of new aircraft expected to be in service by the year 2000, according to Mr Li, will total 640, including 300 of which would be new.

Manila reopens power plant bid

By Edward Luce in Manila

The Philippine government yesterday said it would reopen bidding for a 1,200MW gas-fired power plant which was cancelled last June because of controversy over a long-running corruption scandal.

The winning bidder, Cepa (Consolidated Electric Power Asia), the power subsidiary of Mr Gordon Wu's Hopewell Holdings in Hong Kong, was disqualified last year after including technology developed by the US company Westinghouse in its bid.

The technology was banned by the Philippine government owing to Westinghouse's alleged involvement in the payment of kickbacks to win the contract to build a $2.1bn nuclear power station in 1982. The power station, sited on an earthquake faultline, has been mothballed since it was completed in 1986.

The ban on Westinghouse technology was, however, lifted last September, three months after Cepa's disqualification, when the Philippine government struck a $100m out-of-court settlement with the US company.

The settlement involved the donation of two 501F gas turbines to the Philippines worth $60m plus $40m in cash.

In another twist, the Philippine government recommended that companies bidding for the 1,200MW contract in the rescheduled round on April 15 should include the previously banned 501F turbines in their proposals. This, said officials, would help lower costs.

"Cepa can join the (April) auction and even use the 501F technology they had previously offered to use for the project," said Mr Francisco Viray, the Philippine energy secretary, yesterday.

Mr Viray added that the decision to go ahead with the rebidding, in spite of Cepa's protests, was made "with the blessing" of President Fidel Ramos.

Cepa, which had earlier threatened to sue the government if it went ahead with the disqualification of its winning $1.54bn bid, did not say yesterday whether it would take part in the April bid.

The Hong Kong company was joined in last year's cancelled round by Enron Power Corp, the US company, and Marubeni Power, the Japanese corporation. The gas-fired power plant is expected to be completed by 2002.

WORLD TRADE NEWS DIGEST

Russia acts on alcohol imports

Russia intends to auction import quotas for alcohol and tobacco products to stem the tide of cheap tax-free vodka from neighbouring countries. The move is particularly targeted at Ukraine, which has boosted vodka exports to Russia as a result of tariff exemptions under a bilateral free trade treaty.

Mr Yakov Urinson, deputy economics minister, said the level of imports for tobacco and alcohol products would be set at 20 per cent of the domestic market. Strong spirits, including vodka, would account for no more than 20 per cent of this alcohol quota, with the rest being allocated to wine. Importers would be able to buy the quotas at auctions arranged by commodities exchanges. No date for the introduction was given.

The move was welcomed by Russian alcohol producers, who said it would lead to a more "civilised" market. Russian distillers claimed tax exemptions enjoyed by Ukrainian exporters deprived Russia's treasury of Rbs10,000bn ($2.1bn) last year.

Historically, alcohol taxes have been a big source of income for the Russian budget. *John Thornhill, Moscow*

India approves investment plans

The Indian government yesterday approved 82 proposals envisaging total foreign direct investment worth Rs14.2bn ($395m) in an effort to clear as many projects as possible before dates for a general election are announced in the next few weeks. The proposals include a $60m-$80m investment by Volvo, which plans to set up a wholly owned subsidiary for trucks in India.

General Motors of the US will invest Rs1.32bn to raise its stake in India to 100 per cent. The Delhi-based Escorts group will form a joint venture with Yamaha of Japan to develop a new generation of motorcycles, and Ericsson, the Swedish telecommunications giant, will establish a wholly owned subsidiary in India. The ministry of finance said the new proposals are expected to have an export projection of about Rs24.75bn over a five-year period. *Shiraz Sidhva, New Delhi*

Italy raises China credit cover

Sace, Italy's export credit guarantee organisation, has agreed to raise its cover for China by L1,000bn ($624m) to L5,000bn. The move follows strong pressure by exporters to raise cover for China in what is rapidly becoming an important but still risky market for Italian goods. At present Sace's exposure in China is L3,770bn with a previously set ceiling of L4,000bn.

This is one of the highest country exposures after Algeria and Russia. It is also more substantial cover than that provided by most of Italy's EU partners. Nevertheless, it only covers 57 per cent of current Italian exports to China, whereas the percentage is higher in both Algeria and Russia.

A Sace statement said the extra cover was necessary to accommodate the opportunities in China's forthcoming ninth five-year plan with special emphasis on industrial and automotive investments. The decision coincided with the formal opening of a joint venture plant of Iveco, Fiat's truck subsidiary, with Nankin Auto Works, with an initial annual production of 60,000 trucks. *Robert Graham, Rome*

Canada warns on farm jobs

If the US succeeds in reducing tariffs protecting Canada's dairy and poultry producers, more than 25,000 Canadian farm and food processing jobs would disappear by the year 2000, according to Ottawa economic consultants Informetrica in a study on the effects of US action against Canadian farm tariffs.

The US has called for the establishment of a panel of experts under the North American Free Trade Agreement to eliminate the tariffs. Nafta requires tariffs between Canada, Mexico and the US to be phased out by 1998.

Canada argues that the dairy and poultry industries represent a special case and that it cannot allow the destruction of its domestic farm sector. An open border would prove the most serious threat to Quebec, where half of Canada's milk is produced.

Informetrica predicts that US surpluses would be dumped in Canada and take up to 20 per cent of the market. The adjustment period would last about five years and be severe, the study added. *Robert Gibbens, Montreal*

■ Canada's Bombardier has sold five 50 passenger Dash 8-300 aircraft worth around US$70m to Brymon Airways, a British Airways feeder line, to replace five older models. Brymon already operates two Dash 8-300s. *Robert Gibbens*

■ Talisman and Gulf Canada will start construction of the Corridor natural gas project in Indonesia soon after raising US$450m in international financing. *Robert Gibbens*

■ Outokumpu Copper, part of the Finnish mining and metals group, has taken an 85 per cent stake in a company that will spend $30m on an air conditioning and refrigerator tube making plant in Zhongshan City, Guangdong, China. The plant, scheduled to start up later this year, will produce 10,000 tonnes of tube annually. Production technology and core equipment is designed by Outokumpu which will also appoint key management. *Kenneth Gooding, Mining Correspondent*

NEWS: THE AMERICAS

Zedillo seeks to cut power at the top

Mexico's president tells **Stephen Fidler** of his wish for political change without weakness

President Ernesto Zedillo of Mexico yesterday emphasised, in the clearest terms, his determination to reduce the overwhelming power of the presidential office.

"You don't need a king or a high priest deciding what poor mortals should do," he said, on a visit to the Financial Times, in London yesterday.

The Mexican political system – described five years ago by the novelist Mario Vargas Llosa as the perfect dictatorship – is one of the most centralised in the world. Mr Zedillo said that, although the power of the presidency under the constitution was not excessive, the office "had accumulated too much *de facto* power".

Reducing this power to its constitutional limits was "my contribution to building the new democracy that Mexico needs. If we want to have a more powerful Congress, we somehow need to have more moderation in the power of the presidency."

It was a mistake to conclude that this indicated a weak presidency. "It's basically a constitutional exercise of power – and that's what Mexico needs."

Denying that this would increase uncertainty in a country where a financial crisis had led the economy to shrink by 7 per cent last year, the president said the government's emphasis on the rule of law and a new political consensus on democratic practice and institutions would help make political change smooth.

Ernesto Zedillo: "You don't need a king or a high priest" Picture: Tony Andrews

This consensus, he said, was emerging in intense all-party talks. "We are hoping that, in the next congressional period that starts in the middle of March, we will already have some agreements to be translated into legislative action."

Some issues might require modification of the constitution, but the central issues related to the financing of political parties and to guarantees of all-party access to the media.

This electoral reform was part of a three-pronged reform of the Mexican state, which he was pursuing. The other elements were a "more balanced relationship" between the executive, judiciary and legislature, as well as decentralisation of the state.

Mr Zedillo said this would also require changes in his ruling Institutional Revolutionary Party (PRI). "The PRI should become a much more competitive party for the new conditions and therefore it should carry out a serious internal reform.

"The party's next convention should establish very clearly and transparently its method of selection for candidates", including the election next year for the mayoralty of Mexico City. Previously all senior candidatures in the ruling party were effectively in the president's gift.

Mr Zedillo also said:

- His government had moved ahead with structural economic reforms, despite the short-run emergency. These included railway privatisation, permitting private investment in natural gas, opening telecommunications to competition, continuing privatisation of ports, airport privatisation, and further efforts to sell petrochemical plants of the state oil monopoly, Pemex.
- The known cost of programmes to support the banking system, and fix the problems of privately financed highways, was estimated at slightly more than 5 per cent of 1994 GDP in present value terms, to be paid over 30 years. Mr Zedillo said "too much publicity" had been given to government efforts to broker debt rescheduling efforts between banks and some 80 to 100 larger companies with excessive debts.
- Better supervision, more transparent accounting rules and new investors in the banking system should help ensure that the banking crisis of last year would not recur.

The president denied that the Mexican government's social security and pension reform proposals had been watered down by Congress. He said the matter of cutting the administrative costs of the large and expensive public social security administration did not need to be part of the law. Rules were now being established to allow the system to begin operating next year, and these should begin to have other important benefits.

"What we have done works in the direction of obtaining higher productivity... The [social security] institution will have to do whatever is necessary to live up to the standards of productivity implicit in that legislation."

On the North American Free Trade Agreement and relations with the US, the president pointed out that Mexico's exports to the US had risen 50 per cent in two years. He said the US had benefited also: "Back in the 1980s, when Mexico had a financial crisis, our imports from them fell in one year by 60 per cent. This time around, thanks to Nafta, our imports fell 3 per cent."

Regarding Mexican relations with the European Union, Mr Zedillo said he was especially interested in negotiating a free trade accord. "We'd like to see, even if it is not called a free trade agreement, something that implies a very substantial progressive liberalisation of our reciprocal trade. We'd like to achieve that in just one negotiation ... although the rules could be put into effect over a period of time."

Cellphone chief wants a refund

By Leslie Crawford in Mexico City

Mr Carlos Peralta, owner of the Mexican mobile telephone company Iusacell, a listed company with Bell Atlantic as a US partner, had an embarrassing confession to make this week. He was at pains to explain why he had "entrusted" $50m to Mr Raúl Salinas, the elder brother of Mr Carlos Salinas, Mexico's former president.

Mr Peralta is trying to recoup his money from Mr Raúl Salinas's bank accounts in Switzerland. But Mr Salinas is in jail in Mexico and faces charges of murder and illicit enrichment. His accounts have been frozen while Swiss prosecutors investigate the source of his wealth.

According to Mr Peralta, Mr Salinas invited him, in 1994, to join a "venture capital fund" which would invest in unspecified projects. It was to be co-ordinated and managed by Mr Salinas, a civil servant with no known expertise in finance.

Based on "bonds of friendship which go back more than 30 years", Mr Peralta said, he chipped in with $50m of his own personal fortune, which Mr Salinas deposited in personal bank accounts pending the creation of the venture capital fund.

Mr Peralta denied that the investment was tied in any way to a cellular telephone concession given to Iusacell during Mr Carlos Salinas's term of office, which ended in 1994.

The businessman's account of events may bolster Mr Raúl Salinas's defence against accusations of illicit enrichment in Mexico.

Mr Peralta said that 20 other prominent businessmen, industrialists and bankers had been invited by Mr Salinas to take part in his venture capital fund.

Mr Peralta said he thought that Mr Salinas had approached Mr Carlos Hank Rhon, son of a well-known ruling party politician, and Mr Roberto González, the chairman of Grupo Industrial Maseca, which dominates the market for the flour that goes into the maize tortillas that feed many Mexicans.

Grupo denied the allegations, while Grupo Financiero Interacciones, which Mr Hank Rhon heads, declined to comment.

Colombia political crisis may bring economic woes

By Sarita Kendall in Bogotá

Business leaders in Colombia say that, if the country's political crisis drags on, it could begin to inflict severe economic damage.

So far, the upheaval triggered by allegations that President Ernesto Samper of Colombia knew about contributions by drug traffickers to his 1994 election campaign has yet to have profound effects on the economy.

The Colombian peso has suffered some selling, and active central bank intervention was needed to keep it within its established band. However, the government says foreign reserves – $8.3bn on January 12 – are sufficient to maintain exchange rate stability.

Many business leaders believe the only way to avoid a long, debilitating process is for the president to step aside. The economy may be robust, having grown 5.3 per cent last year, but the damage to confidence, investment and production could be disastrous, agree analysts.

"The fundamental economic variables are still in order," said Mr Juan Manuel Santos, a former trade minister. "The Colombian economy offers good opportunities for the long term, despite the current situation. But a lot of people are postponing investment decisions."

The government's growth forecast for 1996 is 4.5 to 5 per cent, with most private sector groups plumping for the lower figure. "We don't think we have reason to revise our forecasts yet," said Mr Guillermo Perry, finance minister.

"People are worried that the political uncertainty could continue but, if there is a prompt solution, the effects on the economy won't be serious." From the government's point of view, a rapid solution could be the definition of the steps to be followed in any further investigation of the allegations against the president.

However, there are concerns about underlying problems such as the fiscal deficit and inflation, particularly given continued weakness in government. "The last government increased spending and so has this one, but you can't go on indefinitely," said Mr Rudolf Hommes, finance minister in the previous administration, under Mr César Gaviria. "It's not overwhelming, it's a question of deficits of 1 or 2 per cent of GDP, but it could build into a serious problem."

Tax reforms approved by Congress at the end of 1995 have not resolved the issue, says Mr Perry, and spending cuts are needed. In normal circumstances, the planned cuts might have been feasible; for a weak administration needing to buy popular support, they seem unrealistic to many.

The government will be proposing legislation to slow the rate of transfer of financial resources to municipalities and departments. Devolution has been wasteful, in part because local authorities cannot assume responsibility for services as rapidly as they receive the money.

The government brought annual inflation down to 19.5 per cent last year, and this year's target is 17 per cent. But the January figure, fuelled by end-of-year price increases and an acceleration in devaluation, is likely to be over 2 per cent – not an encouraging start.

International prices of coffee, the traditional bulwark of the Colombian economy, have begun to edge up, but production costs are very high and farmers have debts they cannot clear. On the other hand, oil and coal earnings are increasing, while international reserves cover five to six months of imports.

Some exports – particularly flowers – could suffer badly if the US decides to decertify Colombia's anti-drug efforts and the country loses trade and other privileges.

The privatisation programme failed to take off in 1995 but, in the midst of political confusion last week, the US-based company Enron bought the Colombian state oil corporation's holdings in the Promigas gas transportation company for just over $100m. Sales of two banks, power utilities and long-distance telephone services, already delayed, are now expected to go ahead this year.

Portfolio investors will also be watching the stock market. Prices have been falling gradually since the end of 1994 and, for the present, local brokers are concentrating on fixed-interest, short-term paper. But shares are now low-priced and, once the uncertainty is over, even high interest rates seem unlikely to deter buyers.

AMERICAN NEWS DIGEST

Bouchard vows to tackle finance

Mr Lucien Bouchard, sworn in as Quebec's premier on Monday, said his priority was to get the French-speaking province's finances and economy in order. In his inaugural address, he mentioned sovereignty only once and in later interviews said another referendum on the province's status would be delayed until Quebec's financial crisis was solved and the timing was more propitious.

Mr Bouchard, who was acclaimed leader of the ruling separatist Parti Québécois on Saturday, succeeds Mr Jacques Parizeau, who is retiring following the province's October referendum, which voted narrowly against independence. Mr Bouchard, a charismatic politician credited with bringing the pro-independence forces within an ace of success, formerly led the federal separatist wing, the Bloc Québécois.

Mr Bouchard appointed political veteran Mr Bernard Landry as minister of finance with responsibility for reviving the province's moribund economy. Mr Serge Menard, a young energetic lawyer, was moved from the public security portfolio to minister of state for Montreal, with the task of working with the federal and other governments to help the city's economy. *Robert Gibbens, Montreal*

Dole comes third in Alaska

Senator Bob Dole finished a poor third yesterday behind Mr Pat Buchanan and Mr Steve Forbes in a non-binding presidential "straw poll" of about 10,000 Republican voters in Alaska. The conservative polemicist won with 33 per cent, closely followed by the magazine publisher with 31 per cent and Mr Dole, the majority leader, with only 17 per cent.

The Dole campaign dismissed the significance of the result, saying the senator had made no recent visits to the state. He had, however, secured the endorsement of most of the local Republican hierarchy, although that might not count for much in Alaska, which in recent years has been attracted to libertarian ideas. But the result comes at a worrying time for Mr Dole, whose once sure hold on the Republican nomination has slipped, mostly in the face of the challenge from Mr Forbes. One poll in New Hampshire, home of the first primary proper on February 20, has Mr Forbes ahead, though another gives a decided edge to Mr Dole. *Jurek Martin, Washington*

Spy satellite agency 'loses' $2bn

The secret US government agency that builds spy satellites lost track of more than $2bn (£1.33bn) in classified money, mostly because of its own secrecy, the New York Times reported. The newspaper quoted military and intelligence officials as saying the amount was larger than anyone had known and critics of the agency, the National Reconnaissance Office, said that the money was hidden and developed secretly into a "slush fund". A team of auditors sent by Mr John Deutch, Director of Central Intelligence, found the money during investigations that were almost completed, the report said.

The agency secretly spent $300m on a headquarters near Washington, an amount the Senate intelligence committee said in 1994 was a shock to discover. It was set up in 1960 but its existence was officially denied until 1992. *Reuter, New York*

US banks win Peru telecom deal

JP Morgan and Merrill Lynch, the US investment banks, were yesterday selected to manage the sale of Peru's 29 per cent holding in Telefónica del Peru, the former state-owned telecommunications company acquired in February 1994 by Telefónica de España. The total remaining holding is valued in the region of $1.5bn. JP Morgan and Merrill will handle the international public offering, which is likely to represent up to 80 per cent of this total. They will charge 2.42 per cent on the total raised. The remaining shares will be available to Peruvian institutional and private investors. *Sally Bowen, Lima*

US sees threat to Gulf shipping from Iran missiles

Iran has tested and was about to deploy a new Chinese-made anti-ship cruise missile that represents a potential increased threat to oil shipping in the Gulf, the US Navy commander in the region said yesterday. Reuter reports from Washington.

Vice Admiral Scott Redd, chief of US Navy forces in the Gulf, said Iran test-fired a Chinese C-802 anti-ship missile on January 6, from a ship in the Arabian Sea just outside the Gulf. He said the missile could be mounted on Iran's Chinese-made Houdong fast patrol boats.

The admiral called the C-802, a substantial advance over older Chinese-made Silkworm anti-ship cruise missiles used by Iran in its Gulf war with Iraq nearly a decade ago.

US defence officials said the Pentagon had not seen any sudden recent increase in Iraq's military threat to Kuwait and other moderate Gulf states.

"This is a new dimension... another dimension of the Iranian threat to shipping," the admiral said, noting that the mobile, radar-guided missile had a range of 60 miles. The missile was "in the deployment stage," he said. Admiral Redd said since 1994, Tehran had increased its naval strength with two Soviet-made Kilo Class attack submarines and five Houdong boats. Washington was closely watching Iran's efforts to increase its influence in the Gulf, he said.

He said Tehran had four shore bases from which to launch anti-ship missiles and was expected to buy a third Kilo diesel submarine and perhaps five more Houdongs this year.

However, US defence officials, responding to a New York Times report yesterday on a continuing US military buildup in the Gulf, said the Pentagon had seen no sudden added threat from Iraq in recent months. They said 12 US military cargo ships carrying enough heavy arms and other emergency equipment for 20,000 Marines and Army troops had beensent to the Gulf last August.

"We have not seen a sudden increase in threat," said Mr Ken Bacon, of the US defence department. The US led a military coalition that defeated Iraqi President Saddam Hussein's forces in the 1991 Gulf War, and has over 20,000 military personnel in the Gulf region today.

Chancellor cautious on Emu pledge

By Robert Peston and Robert Chote

Mr Kenneth Clarke, chancellor of the exchequer, cautioned yesterday against any pre-election commitment to hold a referendum about the single European currency.

Mr Clarke conspicuously disagreed with fellow ministers who have been trying to mask divisions on Europe in the governing Conservative party by predicting that the European Union will soon postpone or abandon monetary union.

Mr Clarke said in an interview with the Financial Times that he "personally would leave whether or not people want a referendum to the time if and when" monetary union is launched. He is resisting many cabinet colleagues who want the prime minister to pledge as part of the Conservatives' general election campaign that there would be a referendum on sterling joining a single currency if the cabinet decided to join. They believe this is the best way of bringing a long-term truce to the Conservative party.

As for the launch of monetary union, Mr Clarke said: "I actually don't think anyone knows whether it will go ahead on 1 Jan 1999". He added that the government should not get "wildly excited" about speculation on the start date.

He warned other EU states not to relax the convergence criteria for monetary union, saying that Britain would not join if that were done. But he was dismissive of suggestions from other British ministers that relaxation, which would require a change in the Maastricht treaty, was likely.

"I have been to more meetings on economic and monetary union than all my colleagues put together and so far I have not ever heard anyone suggest any treaty changes."

Mr Douglas Hurd, the former foreign secretary, has joined the growing list of European statesman calling for a postponement of the January 1999 starting date for a single currency. Mr Hurd calls on Germany to take the initiative in rewriting the Maastricht timetable for economic and monetary union. He acknowledges that Britain cannot request a postponement because it has no commitment to join. Other European governments fear that seeking a delay might amount to a confession of weakness. "Someone has to face reality," Mr Hurd adds.

Monetary union, Page 13

Mr Clarke clings to old-style Conservative beliefs in the importance of spending on schools and the state health service. As for the US model of a developed economy where state spending is proportionately lower than in the UK, Mr Clarke noted that the price the US paid for low public spending was a healthcare system that absorbed one dollar in every five. "If you have to move to that sort of crisis-ridden private sector healthcare system in order to get your public sector spending down then I'm not in favour of it".

● Mr Tim Eggar, the energy minister, yesterday became the 52nd MP in the Conservative party to announce that he will not stand for parliament at the next general election.

He is known to have been deeply uneasy at what he thought was the petty nationalist drift of the party, although he denied that this was a reason for his decision to quit.

Irish peace prospects recover ground

By John Kampfner, Chief Political Correspondent

Prospects for a consensus on elections to a new Northern Ireland convention appeared to increase last night after talks between Mr John Major, the British prime minister, and Mr John Hume, leader of the main nationalist party, the Social Democratic and Labour party.

Mr Hume emerged from a 90-minute meeting at Westminster, striking a surprisingly optimistic note which suggested that he had received hints from the prime minister of concessions on the details of a future convention.

Mr Hume reacted furiously to Mr Major's announcement last Wednesday, when responding to the report of the Mitchell commission on paramilitary arms, that he was considering elections to a forum for all-party negotiations. His anger was echoed by the Irish government as well as by Sinn Féin, the political wing of the Irish Republican Army.

Mr Gerry Adams, Sinn Féin president, remained unmoved following talks in Belfast yesterday with Sir Patrick Mayhew, chief Northern Ireland minister in the British government.

Mr Hume – who potentially has the most to lose in an election for which Sinn Féin would be able to call upon its extensive US-led financial donations – gave no indication last night that Mr Major had changed his mind.

Mr Major's pledge to push through early legislation paving the way for elections to a convention pushed relations with the Irish government to a low ebb. Mr Dick Spring, deputy prime minister of the Republic of Ireland, is expected to use a meeting with Sir Patrick tomorrow to voice his government's disquiet.

Meanwhile, the murder of a republican terrorist chief in west Belfast raised fears of renewed bloodshed in Northern Ireland. Mr Gino Gallagher, chief of staff of the Irish National Liberation Army (INLA), a breakaway group, was gunned down inside a social security office. The police said there were "strong indications" that the murder was part of an internal INLA feud.

Accountancy KPMG disclosures end more than a century of secrecy

Firm issues first detailed results

By Jim Kelly, Accountancy Correspondent

KPMG today becomes the first large accountancy firm in the UK to publish company-style financial results, thus ending more than a century of secrecy surrounding the big partnerships.

The firm, which has 8,000 staff and 600 partners, is unlikely to be followed quickly by its competitors among the so-called Big Six firms.

Mr Colin Sharman, senior partner with KPMG, said he felt "very comfortable" as the head of the only big accountancy firm revealing so much to clients, staff and the public. KPMG has moved to full disclosure because it would have had to reveal financial results for its audit business next year as it is turning it into a limited liability company.

The firm decided that it should disclose results for the whole business in the UK – and hopes financial transparency will give it a competitive advantage in a tight market.

For the year to September 1995 KPMG earned gross fees of £588m – up 6.8 per cent on the previous year. It distributed £106m of this to partners – around £18m as "proprietorship profit" above a notional executive salary. This gave the firm's partners an average remuneration, taking into account pensions and what is in effect a shareholders' return, of £180,000 ($272,000).

The proprietorship profit figure, which was 3 per cent of the gross fees, is the key one for the sector. Significantly this return was 28 per cent lower than it had been in 1993-94. The firm's senior partner said there were "severe pressures on margins".

One of the factors which dented profitability was an increase in non-staff and partner costs from £143m in 1993-94 to £163m in 1994-95. This was partly a result of rising legal costs such as insurance cover. A figure of £39m listed as "other creditors" includes provisions for future legal costs not covered by insurance.

"This helps to show that all the firms are probably finely poised," commented a senior partner with another big accountancy firm. This impression is confirmed by the size of the business' capital base at £81.59m – £45m of which is partners' capital and the rest undistributed earnings. While the figure may look low it caused little surprise among the rest of the Big Six.

The accounts do reveal tight control on borrowings, creditors and work in progress. "This is by and large a well managed firm," said a senior partner with another firm. One slight surprise was a £19.5m provision for empty properties where KPMG holds the lease.

When KPMG decided last year to meet the threat of rising litigation costs and help promote itself as the leading audit firm, it looked likely that other big firms would follow suit. Now they look more likely to register off-shore.

Lex, Page 24

Accounting at the top

KPMG partners and staff remuneration

Band £	1994 number	1995 number
[illegible]	[illegible]	[illegible]
25,001 – 50,000	25	12
[illegible]	[illegible]	[illegible]
75,001 – 100,000	176	132
[illegible]	[illegible]	[illegible]
125,001 – 150,000	75	87
[illegible]	[illegible]	[illegible]
175,001 – 200,000	25	17
[illegible]	[illegible]	[illegible]
225,001 – 250,000	16	12
[illegible]	[illegible]	[illegible]
275,001 – 300,000	1	1
[illegible]	[illegible]	[illegible]
325,001 – 350,000	1	2
[illegible]	[illegible]	[illegible]
375,001 – 400,000	1	–
[illegible]	[illegible]	[illegible]
425,001 – 450,000	–	1

Colin Sharman, senior partner

Salary	£438,000
Pension	£125,000
Proprietorship profit	£176,753
Total	£739,753

Source: KPMG company report

'Gulf War Syndrome' to be investigated

By Bernard Gray, Defence Correspondent

The government is to investigate "Gulf War Syndrome", a series of medical complaints suffered by veterans of the 1991 conflict.

The decision comes after stinging criticism last year from the House of Commons defence committee which accused the defence ministry of arrogance and failing to act quickly to respond to veterans' concerns. The ministry has also been criticised by veterans for failing to match the willingness of US authorities to investigate the problem.

Vice Admiral Tony Revell, the British ministry's surgeon-general, said yesterday that it was launching full-scale epidemiological studies to determine whether forces serving in the Gulf had suffered statistically abnormal health problems since the war. A team of seven senior doctors would also study claims by veterans that their children had suffered an abnormally high rate of serious birth defects. The ministry would work closely with the US to avoid duplicating research effort.

Mr Nicholas Soames, the armed forces minister, strongly rejected accusations that the ministry was responding to pressure late. Vice Admiral Revell said the ministry had examined 360 veterans and had failed to find a single source of their complaints.

But he admitted that those examined were genuinely ill, and that it was still possible for the variety of different complaints reported to have originated from a cocktail of vaccinations.

Veterans have claimed that the mix of up to 10 different vaccinations given at once, combined with drugs taken by soldiers to protect themselves against nerve gas, were untried in such large combinations and are responsible for their health problems. The ministry thought reactions to the cocktail were unlikely to be responsible for any problems.

Of the forces serving in the Gulf, only British, US and Canadian troops were given the anti-nerve gas pills, and these veterans have reported most of the health problems.

Admiral Revell said that the US had so far examined 17,000 veterans who had complaints, and that no single syndrome had emerged in those cases either.

Education Political furore highlights escape routes from poorly performing schools

Agonising choice often confronts parents

By John Authers in London

The inner London borough of Southwark faces the City across the River Thames, its poverty contrasting sharply with the wealth of the financial quarter opposite. That poverty means that parents in the borough face an agonising choice when picking a secondary school for their children.

They have three options: send the child to one of the area's poorly performing comprehensive schools (all pupils accepted irrespective of ability); opt for a grammar school (children selected according to academic ability) in a neighbouring borough, probably entailing long journeys for their children; or pay heavy fees for a place in an independent school outside the state education service.

Thanks to the decision of Ms Harriet Harman, a senior member of the opposition Labour party, to choose the second option, their dilemmas have entered national debate. Selective schools are seen by many in the party as bastions of privilege, and its deep distaste for them almost cost Ms Harman her job as the party's leading voice on health issues in the House of Commons.

Comprehensive schools were invented by the Labour governments of the 1960s – although most comprehensives were created when Lady Thatcher, who was later to become prime minister, was Conservative education secretary between 1970 and 1974. Many Labour MPs support them strongly on principle. Ms Harman and her husband, a senior trade union official, rejected the comprehensive schools in Southwark where they live even though the municipal authority in the ancient borough is dominated by Labour councillors. Instead, they decided to send their son to St Olave's, a grammar school about 15km away which has opted out of municipal control.

Other parents in Southwark feel strongly that they have a right to opt out of the borough's schools. "I think my child has a total right not to have to sit next to a skinhead," says one local resident. It is not merely a question of social snobbery. Southwark's exam results are among the poorest in the country: it finished 105th out of the 108 education authorities in England last year.

Southwark is one of the most economically deprived parts of London, and more than half the pupils at the borough's schools qualify for free meals. But Mr Gordon Mott, Southwark's education director, refuses to use such factors as an excuse. "The evidence is there that we could do better, and we must try to do that."

He points instead to the borough's almost unique position in having within its borders three of London's best-known and most successful independent schools – Dulwich College, Alleyn's and James Allen's Girls' School.

Dulwich College receives more in subsidies from the government's Assisted Places Scheme for children from low income families than any other school in the country. Under this scheme, which would be abolished by a Labour government, academically able children are subsidised to go to independent selective schools. This gives Southwark parents an escape denied to them in other London boroughs.

They also have the option of following Ms Harman's strategy by sending their children to one of the two grammar schools in neighbouring Bromley. The flow of middle-class children out of schools in boroughs such as Southwark helps to depress the performance of their comprehensives, according to Mr Tony Cobb, director of studies at Leicester University's Centre for the Study of Comprehensive Schools.

Nationwide, comprehensives are by far the most common form of secondary education. Only 7 per cent of children are educated privately, while only 160 grammar schools remain out of a total of about 4,000 English state schools.

But selection within schools is widely practised according to Professor Michael Barber of the University of London's Institute of Education, and an adviser to Mr Tony Blair, the Labour leader. Most comprehensives practise "setting" – dividing children on ability in different subjects. Some use "streams", where children are divided on ability into the same classes for all subjects. Schools which attempt to make each class mixed ability are in the minority, he says.

"Comprehensives aim to treat all children equally and give them equality of opportunity," says Mr John Dunford, the head of the highly successful Durham Johnston comprehensive in the northern England city of Durham. "Treating all children the same would not be treating them equally – some need more pressure than others; some need more support.

Even in Southwark, where many secondary schools once rejected any form of selection, schools now recognise that children with different abilities should be treated differently.

As Mr Mott says: "I do think the conventional wisdoms about setting and streaming are being set aside. Our schools now set. The task they face in terms of breadth of ability is such that it's unreasonable not to. A very good teacher might be able to handle all abilities in a class, but it's unreasonable to establish a system which is dependent for its successful delivery on the presumption that everyone will be excellent. It doesn't work like that."

University vice-chancellors are set to end free higher education next year by charging new students a £300 ($453) "registration levy" if government capital funding cuts are not reversed. The vice-chancellors' central policy board agreed the move but stressed it would be made only "extremely reluctantly". Students reacted angrily to the announcement. Funding for universities will fall by 9.4 per cent between the present financial year and 1998-99, but the greatest concern has been caused by the cut to the universities' capital budget, announced in November's Budget, from £350m to £243m. Ms Diana Warwick, chief executive of the Committee of Vice-chancellors and Principals, which represents the heads of all UK universities, said: "As responsible managers, if the government will not provide the resources, we have to find long-term funding from somewhere."

But Mr John Major, the prime minister, said in the House of Commons: "I see no need for universities to introduce top-up fees. They certainly cannot complain about how they have been treated by the government. Between 1989-90 and 1994-95 university funding rose by 23 per cent over and above inflation." But the committee retorted that "the real issue is that the resources for teaching each student fell by 25 per cent over the same period because of a 45 per cent increase in student numbers."

Insurers warn of threat to profits

Fears of a marked downturn in the international insurance industry intensified yesterday with a gloomy report by London-based marine insurers warning that excess competition is threatening profitability, *our Insurance Correspondent writes.*

The Institute of London Underwriters said recent improvements in insurers' results, "may well prove short-lived... if some irresponsible underwriters do not halt their lemming-like rush to the cliff-top".

Mr Len Campbell, who is standing down as ILU chairman, said: "Underwriters in London and other markets have weakened their resolve to avoid the disastrous competition that caused such havoc in our industry only five years ago. If current trends persist, profitability may disappear and reserves wither for all but a few."

The ILU membership comprises large international insurance companies underwriting marine, aviation and transport business which together form a rival market to Lloyd's of London.

Capital idea to revamp tourism

By Scheherazade Daneshkhu and Diane Summers

London's year-long search for a brand identity to spearhead a new £8m ($12.08m) tourism marketing drive ended yesterday when the new logo was unveiled.

The London Tourist Board, which is leading the campaign to promote London as a tourist destination said the new image, designed by London-based Beresfords at a cost of about £200,000, would project a "more contemporary and vibrant image of the city" instead of traditional images of heritage and pageantry.

Research commissioned by the London Tourist Board showed London was seen as a "living museum" with a lack of awareness of its modern side.

"Too many people have an out-dated image of London and yet it is at the cutting edge of fashion, music, nightlife and eating out," said Mr Colin Hobbs, managing director of London Tourist Board. "It is precisely these elements that need far greater emphasis, particularly in targeting the new and younger fast-growing markets across the world.

The campaign to promote London as the gateway to Britain is aimed at reversing the city's loss of share in the world tourism market. Between 1985 and 1994, spending by visitors to the capital grew at 5.6 per cent – less than half the world average of 12 per cent.

The Department of National Heritage and the British Tourist Authority have each put in £2m over two years towards the campaign, with the other £4m to be matched from the private sector.

UK NEWS DIGEST

Business warned against rushing into takeovers

Mr John Bridgeman, director-general of fair trading, warned companies against rushing into takeovers, saying that they rarely generated the hoped-for benefits. He said in his first big speech since taking office last year that the costs of many mergers frequently outweighed the gains. He also expressed particular concern about bids in the utilities sector, which has seen several recent takeovers. He said management skills were not readily transferred from one sector to another.

He said this concern had last year led him to request Mr Ian Lang, the trade and industry secretary, to refer to the Monopolies and Mergers Commission the bid by North West Water for Norweb, the electricity company. Mr Lang rejected the request and cleared the deal. Mr Bridgeman was speaking at a time when City interest in bids and deals is running high in the wake of Granada's successful £3.9bn ($5.9bn) acquisition of Forte, the hotels group. Mr Bridgeman said that, while mergers could improve the efficiency of the economy by transferring assets from ineffective to effective management, this aim was not always achieved. *Stefan Wagstyl, Industrial Editor*

Rail acquisition probe ruled out

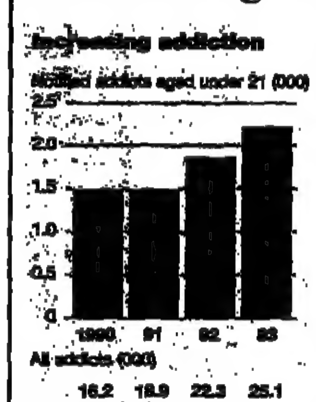
The trade and industry department said it would not refer the acquisition of European Passenger Services, operator of Eurostar trains, by the London & Continental Railways consortium to the Monopolies and Mergers Commission. The consortium which wins the bidding for the £3bn ($4.53bn) Channel tunnel high-speed rail link between England and France would take over EPS as part of the project. The transport department said monopolies clearance was routine and did not mean that L&C had won the bidding. Eurorail, the rival bidder, said clearance of the L&C bid did not mean its own offer had been rejected.

The L&C consortium consists of Ove Arup, Bechtel, Sir William Halcrow, National Express, Virgin Group and S.G. Warburg. Eurorail comprises BICC, HSBC Holdings, National Westminster Bank, Seeboard and Trafalgar House.

● Managers at Chiltern Railways have teamed up with John Laing, the construction company, and 3i, the development capital group, to bid for the passenger train franchise of their line – the ninth to be offered for sale. The bidding group, M40 Trains, has placed a notice in the European Union's Official Journal seeking offers for between six and 30 diesel powered coaches. Chiltern Trains operates one of the lines between London and Birmingham.

Charles Batchelor, Transport Correspondent

Call for drug service changes



The state health service is not properly addressing the issue of drug and alcohol abuse in young people and lacks the specialist treatment and advisory services required to deal with the problem, says the service's Health Advisory Service. The non-departmental public body warns that the availability of suitable services was "poorly planned and poorly co-ordinated" in spite of steady growth in the number of younger drug and alcohol abusers. It condemns "a lack of leadership" from statutory health agencies and calls for new educational programmes to highlight the dangers of drug use and greater collaboration between different agencies.

Mark Suzman, Public Policy Staff

'Mad cow' fears hit beef sales

Consumers are still shunning beef because of the scare over "mad cow disease", with latest figures showing a 17 per cent drop in retail sales in the month to January 20. The figures from the Meat and Livestock Commission conflict with its earlier predictions of a recovery from the sharp drop in sales in the final two months of last year. Year-on-year sales fell by over 15 per cent between mid-November and mid-December and by 5 per cent in the preceding four weeks. Earlier this month, the commission launched full-page advertisements in national newspapers, in collaboration with leading supermarkets, assuring people beef was safe to eat.

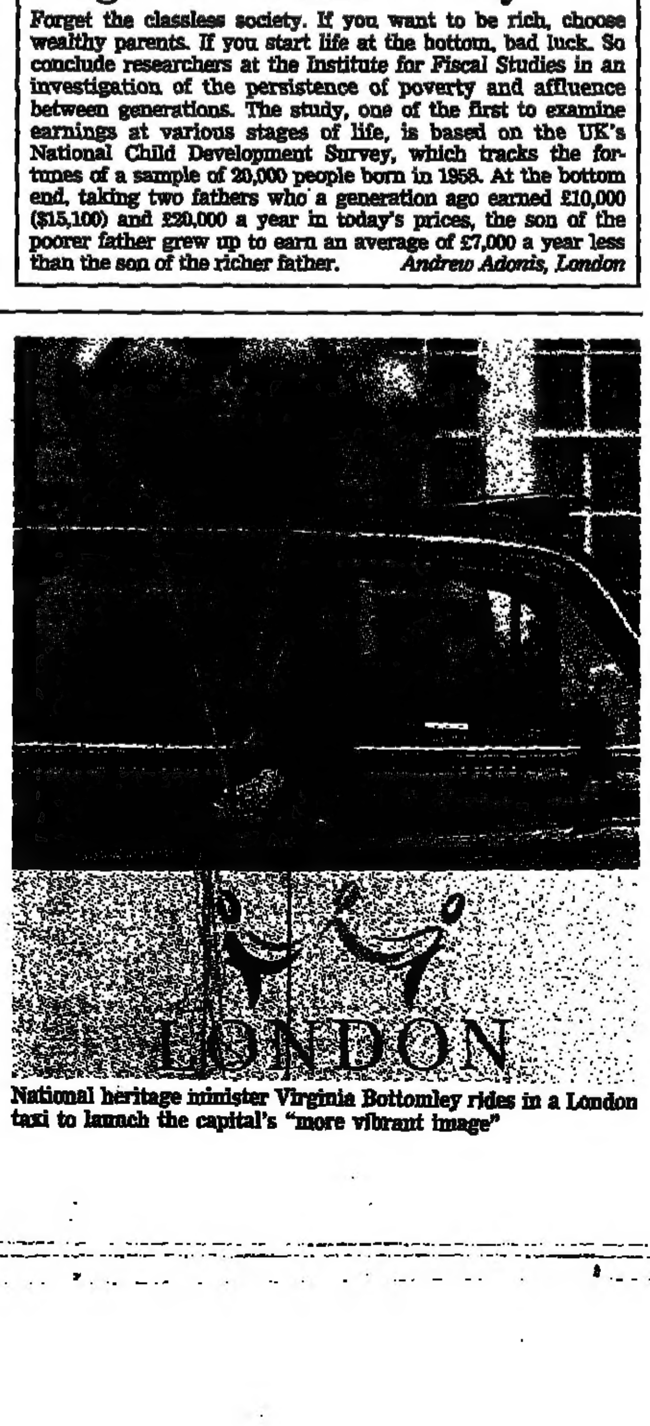
Alison Maitland, Resources Staff

Weather office to cut jobs

The Meteorological Office wants to cut 430 jobs – about 20 per cent of its staff – over the next five years. Other employees may be asked to relocate as more functions are centralised at the head office at Bracknell about 60km west of London. Jobs in junior grades are believed to be particularly at risk because of cost-cutting and changes in technology. The defence ministry provides about 60 per cent of the Met Office's £150m ($225m) annual budget. *Clay Harris*

Forget the classless society

Forget the classless society. If you want to be rich, choose wealthy parents. If you start life at the bottom, bad luck. So conclude researchers at the Institute for Fiscal Studies in an investigation of the persistence of poverty and affluence between generations. The study, one of the first to examine earnings at various stages of life, is based on the UK's National Child Development Survey, which tracks the fortunes of a sample of 20,000 people born in 1958. At the bottom end, taking two fathers who a generation ago earned £10,000 ($15,100) and £20,000 a year in today's prices, the son of the poorer father grew up to earn an average of £7,000 a year less than the son of the richer father. *Andrew Adonis, London*

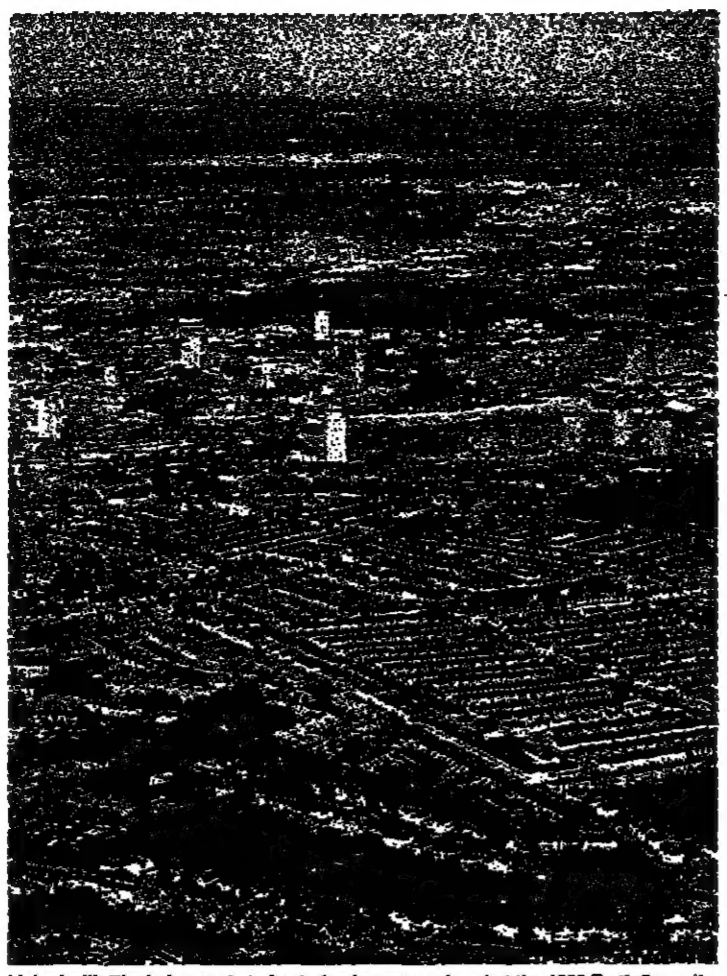


National heritage minister Virginia Bottomley rides in a London taxi to launch the capital's "more vibrant image"

BUSINESS AND THE ENVIRONMENT

Krishna Guha reports from the UK's 'environment city' on the initiatives which have earned it the title

Leicester in green



Linked with Rio: Leicester is trying to implement goals set at the 1992 Earth Summit

Leicester, a typical British industrial town, seems an unlikely setting for ambitious initiatives under Agenda 21 – the programme of environmental action agreed by presidents and prime ministers at the Rio Earth Summit in 1992.

But the programme set out environmental goals for local as well as national governments – and a target date of 1996 to implement them. Leicester, the UK's self-proclaimed "environment city" – and the only UK city represented at the Rio conference – says it is leading the way.

"We call it Blueprint for Leicester, which is our version of local agenda 21," says Anna Dodd, head of the environment team at Leicester. The summary findings – covering everything from green shopping and employment to crime prevention and traffic – are already published, and the council hopes to publish the full plan shortly.

Leicester is only one of many councils – perhaps two-thirds of the UK's local authorities – which claim to be on course to implement local agenda 21 this year. However, according to Michael Ashley, environment under-secretary at the Association of District Councillors, many do not understand what local agenda 21 actually means.

"Most local authorities take it to mean a set of environmental policies – general environmental management, greening policies, planting trees and flowers," says Ashley. "That is a misunderstanding."

Ashley says local agenda 21 is "a planning process, but a participatory planning process". It requires councils to plan policies on issues such as jobs, homes and transport in a manner which takes into account their impact on the local environment.

Leicester, which adopted the environment city title in 1990 as "a challenge rather than an accolade", drew on advice from a pre-existing network of working groups – drawn from city and county council, private sector, education and the voluntary sector – and its arm's-length charitable trust Environ.

However, the crux of Leicester's initiative was a public consultation exercise to involve local residents – for political as well as planning reasons. Says Councillor Mary Draycott: "Traffic needs to be reduced in the city centre – but shop owners might not be very supportive if they think this will damage the city centre economy." Involving people in planning allays such fears, she says.

Even in Leicester – where environmental issues are well publicised – the team battled apathy. Only one in three people knew the names of their local councillors, says Dodd, and only 1 per cent of questionnaires sent out with the local newspaper were returned.

However, the council was able to get a sense of public feeling through surveys of 748 households, weighted for age, race and sex. The team also consulted with activists from 88 community organisations and a number of businesses.

According to Jane Morris of the local government management board, Leicester's blueprint, like other local agenda 21 initiatives, envisages a partnership framework in which the council's role is "to influence and advise".

As a big local employer, the council itself has re-examined its internal organisation for environmentally friendly policies – staff transport, including a bike mileage allowance, energy efficient offices and "green purchasing". Moreover, all council reports and policy discussions must detail "environmental implications" alongside financial, equal opportunities and other consequences. No decision in any policy field is taken without reference to the environment.

Cost, in Leicester as elsewhere, remains a barrier, but not an insuperable one. "Some authorities say we have no money – why should we do this?" says Morris. But, she claims, "it is not about new money – it is about spending existing money in different ways".

Leicester councillors say the blueprint does not call for higher spending. Rather, they say the strategy takes a broader and longer-term view of the "payback period" over which environmental initiatives save money.

Critics claim Leicester has little concrete to show for the effort. Councillors reply that the city has recently launched a new pilot recycling scheme which collects materials such as plastics and cans from special doorway bins just like ordinary rubbish. All told, the cost exceeds the returns, but this has to be set against the cost of landfilling waste, with a further £7 per tonne new landfill tax planned.

"At the moment it is not commercially viable," says Steve Weston, head of environmental management. "But it is a question of volume." Weston hopes that once the scheme is extended in March, average cost will fall and the council will be able to negotiate long-term supply contracts with buyers of recycled materials.

Moreover, Leicester can point to the success of home energy grants for "fuel poor" local home-owners. The council offers a number of measures – including loft insulation, heat recovery fans, gas condensing boiler, energy management system and double glazing – giving 80 per cent of the cost in grant.

Between April 1994 and August 1995 the council made 624 grants, mainly to owners of Victorian terraces, saving residents £177,000 a year in fuel costs. The renovation grants - to help the poor and old keep warm – also reduced carbon dioxide emissions by 2,295 tonnes a year. Domini Gunn, area manager of renewal, said owner-occupiers contributing 20 per cent saved money within seven months.

There is less evidence for more ambitious plans to attract companies manufacturing environmentally friendly products to invest in the UK's "environment city" – creating "green" jobs. Negotiations are continuing with several companies which currently import from the Continent.

Leicester's defenders say it is in the nature of local agenda 21 – integrating environment needs with each strand of local government activity – that it will only bear fruit in the future. "People think this is a quick fix solution – it isn't," Morris says. "If it is about changing the decision-making process you won't see the effects until much later down the line."

Taking the rap on wrapping

David Lascelles on a report claiming that complaints about packaging are based on misconceptions

When buying mushrooms from a street market, they are wrapped in newspaper. When bought from the supermarket next door, they come on a cardboard tray covered in clingfilm. No wonder people think consumer goods are overpackaged.

But this popular view may be misconceived, according to a report by the UK Centre for Economic and Environmental Development (UK CEED), whose director, David Cope, was struck by the mushroom disparity while shopping in a Cambridge market.

The report*, commissioned by Incpen, the trade group of the packaging industry, concludes that the packaging issue is overblown because consumers do not understand the role that packaging plays in the production stream long before the goods come into their hands.

Packaging constitutes only 3 per cent of the waste that goes into landfill sites

These are some of the main findings of the report:

- Many people believe overpackaging results from the success of packaging makers in selling their wares to consumer goods manufacturers. Not so, says CEED. The evidence suggests the opposite: consumer goods manufacturers are under constant pressure to cut their costs, and this includes packaging. With some exceptions, the type of packaging manufacturers use is the most efficient for the job.
- If a product has too much packaging, it is usually because of a "market failure". CEED identified lack of information, time lags in adoption of new technologies and failure to incorporate environmental costs in decision-making processes. But these failures can be corrected by the manufacturers, rather than more generalised failures requiring government action.
- The aim of packaging is not just to protect the goods at the point of sale. It has to perform from the production line through the distribution chain. "Packaging has often completed its task by the time it reaches the final consumer," says the report. Some packaging also plays a role in the use of the product – containers with spouts for example.
- Packaging plays other roles, too, such as marketing and prevention of theft. The packaging of a scent bottle may be excessive just to protect the contents. But that is not why it is there. Blister packs of screws in ironmongers were designed to discourage shoplifting. The eventual choice of packaging represents a series of trade-offs between a wide variety of considerations.
- The waste that packaging prevents through spoilage should be taken into account.
- Consumers look at the condition of the packaging when they buy something. If it is damaged, they will probably reject the goods, even if the contents are undamaged – and the packaging has done the job for which it was designed. So sometimes the packaging has to be protected.

Overall, the report concludes that there is no generalised overpackaging problem, and in any case that packaging constitutes only 3 per cent of the waste that goes into landfill sites.

The report goes on to criticise the UK government's response to public pressures, and the pressure it is now creating through regulation and taxes to minimise waste and encourage recycling.

"Unfortunately, much of the legislation reflects a knee-jerk response to a perceived environmental problem and lacks both an understanding of the role that packaging plays in a modern product supply chain and also an appreciation of the wider environmental consequences of the policy. The latter is illustrated by the legislation's narrow focus on recycling at the expense of other policy options."

However, the report itself has been criticised for using a narrow definition of packaging. It does not take into account many of the environmental costs of packaging: depletion of timber and mineral resources, and pollution caused by the manufacturing process, which would push up the cost of packaging if fully accounted for.

The authors say these issues are "not central" to the report, which examined the market as it exists today and where these costs have not been "internalised". But if manufacturers were forced to pay these external costs, they predict that the volume of packaging would go down as the market adjusted to a new optimum.

**Packaging in a Market Economy. £25. Available from Incpen. 8 Tenterden Street, London W1R 9AH. Tel: 0171 409 0949.*

PERSONAL

CONTRACTS & TENDERS

Television/**Christopher Dunkley**

Babes who wannabe boys

All of a sudden commercial television seems to be full of female yobs: young women who refer to themselves with mannered irony as "babes" and "girlies". The words clash dramatically with the image they strive to convey of hard, modern, ballsy types who can and will do anything that men do – only more so. For those viewers old fashioned enough to relish the differences between the sexes, it will be reassuring and endearing to discover after the first couple of weeks that most of these would-be androgynes not only fail to achieve their object but look decidedly uncomfortable even making the attempt.

It must be admitted that, so far anyway, none of these programmes begins transmission before 11.00 pm, most start after midnight, and the best (assuming you actually like this sort of stuff) which is called *God's Gift* is screened by *ITV* at 12.40 on Wednesday nights with a repeat at the handy time of 2.55 on Saturday mornings. So they are hardly dominating the schedules yet. But experience shows that crazes which begin in the backwaters of the daytime or night-time output can easily progress to evening slots. *God's Gift*, is, if you can imagine such a thing, a vulgarised version of *Blind Date*. Five young men – sorry, "hunks" – compete for the "God's Gift" title and "the chance to choose their dream date from an all-girl audience".

However, poor Simon – the cost-accountant with a 34-inch inside leg, who proved such a success in the "Suck It And See" section where the lads had to suck the lasses' toes, who strutted his stuff in a posing pouch to a cacophony of girlie squeals, and who finally triumphed as this week's Stud-U-Like – chose as his date Joanne, the sweetie he had bowled over in the "Charm Or Smarm" chat-up test. So did Joanne grab this hunk and say "Come on big boy let's see what you've really got"? Did she heck. She made a moue, fluttered her eyelashes and indicated that she was already spoken for. So much for ballsy babes. Joanne was more like something out of *Little Women*.

As it happens, however, there is a real ballsy babe on this show: presenter Davina McColl who has bags of chutzpah, a loud voice, and a quick wit as well as long legs, a short pink mini, and clearly no need for a Wonderbra. She appears to be precisely what all these shows are shouting about, but what none of them except *God's Gift* has actually found.

The Girlie Show on Channel 4 made the classic error of whipping up a fervour of high expectation, achieving massive press coverage, and then failing to deliver the goods.

Much was made of the fact that the producers had forgotten to arrange a work permit for their chief presenter, a lanky American with a fashionable reputation for lesbianism and a metal rivet through her lip which is presumably the cause of her slight speech impediment. However, since she appeared on the show anyway, as the "chief guest", and picked their "Wanker Of The Week", this seems to have made precious little difference.

The show's theme was men's underpants and their contents. The babes said "willie" and "shag" a lot, and chucked in the f-word often enough to establish their bona fides. Goodness how we laughed. Well, perhaps not laughed exactly, but there cannot have been anything as laughable as this since ... what? Well since they tried to popularise Bessie Bunter. What these shows always seem to miss is that when the chaps on programmes such as *Eurotrash* do items making fun of women (and they do just as many which make fun of men) they are delivered tongue in cheek and with affection and charm. Moreover Antoine de Caunes and Jean-Paul Gaultier can read autocue without sounding as though they are spelling out the words, and when there is no autocue they can extemporise without strain.

These girlie programmes appear to be the natural outcome of that gloriously illogical branch of feminist philosophy which starts out by vilifying men and masculine values, proceeds to proselytise female values and all the womanly virtues, and concludes that the way forwards is for women to become more like men: stop raising children, put on a hard hat, wear trousers, tell dirty jokes and so on. What we have on *The Girlie Show* (which fittingly enough comes on screen straight after *Jo Brand Through The Cakehole*; there is a girlie for you) is a lot of twenty-something women doing their damndest to behave like the more inadequate sort of teenage boy. If you find something admirable in the lager-lout with his boozy songs, sexual inexperience disguised as bravado, clannish contempt for the opposite sex, and insecurity concealed under a desperate arrogance, then perhaps you will find these girlies charming.

ITV's new Friday night example of the weekend culture show, *Hotel Babylon*, is presented by a babe who looks the part – Dani Behr, previously presenter of *The Word* – but who is scarcely god's gift to interviewing. There seems little point in getting American film director and black icon Spike Lee out to some ancient pile in the country in order to have Ms Behr ask "Compared to every film you've done, all the movies you've made, which one do you look back on which gives you the most satisfaction?" and "What music are you currently into at the moment?"

But then much of this show is simply a *Top Of The Pops* re-hash, latest in an endless line of such shows in which babes with skimpy clothing thrust their taut little midriffs at the cameras. We have been enjoying them for decades.

ITV's late-night Saturday offering, *Pyjama Party*, is presented by Katie Puckrik (another American; it is heartening to find that so few British women shine at this sort of thing) surrounded by a great crowd of girlies most of whom look as though they are working for a Damart placement scheme. This time instead of a country hotel the rinky-dink conceit is that Katie has invited all her buddies to roast weenies and sleep over ... or whatever it was that American teenage girls used to do. This may have seemed like quite a neato notion of retro-chic when La Puckrik was 16 or so, presumably in the mid 1970s. At that time it would have been seen as a fond and fashionable throwback to the Doris Day fifties. Today it just looks passé.

Hotel Babylon may be spending something on its location and *The Girlie Show* sent a camera outfit of some sort to do its "Toilet Talk" item somewhere away from the studio. But generally speaking one of the huge attractions of these programmes for the accountants who now run television must be their wonderfully low costs. For the viewer their most striking characteristic is that they are all part of the dumbing-down process which is spreading like couch grass through television.

All part of the dumbing-down process: 'The Girlie Show'

Theatre/**Alastair Macaulay**

Black soap

The Pulitzer-Prize-winning black American playwright August Wilson has been at work for some 15 years on a series of plays about the experience of blacks in the US, each play covering a different decade of the 20th century. *Two Trains Running*, the latest of these to reach Britain, represents the 1960s, and in Paulette Randall's staging at the Tricycle Theatre it achieves a texture so thick you could eat it.

The action occurs in Pittsburgh in 1969, and the locale – perfectly achieved in Ellen Cairns's evocative decor – is a standard American diner: "Lee's Diner", set on a corner, with high stools around a curving bar, a jukebox, and windows facing out on the streets. But it is in the language and accents that the play's texture mainly lies.

Brief quotations cannot catch this. You have to hear whole speeches made up of simple lines like "Found me some water. Made me a nice little crop", and to hear the tonality and vigour with which they are uttered, to appreciate the main life of this play. Sometimes, especially in Act One, there is so much texture that it stops you attending to what is actually being said.

Not that that matters much. *Two Trains Running* is a sentimental affair. It spends much of its time making you feel that all seven of its characters really deserve a great big hug. Offstage there are rallies for black power; Malcolm X is talked of like Christ, Martin Luther King like St Paul. But mainly we just learn to love these guys onstage. The dialogue is often often funny, even on racial problems.

All of these blacks have their problems – even the beautiful Risa has disfigured her legs with slashes because she got sick of men pursuing her for her looks – and all of them are lovable. Will the charming, excitable Sterling end up in jail again for theft? Will the saucy Wolf go too far with his shady dealings? Can Lee sell his diner for a profit? Will the imbecilic, obsessive Hambone get the ham he thinks he was promised ten years ago? Will Risa marry Sterling?

Yes, *Two Trains Running* is almost as good as a soap opera. In the penultimate scene we hear that one of the characters has died in his sleep – the "two trains" of the title are life and death – and the last scene gives everyone a chance, according to his or her lights, to behave well by the dead. And, as with soap opera, Wilson has a terrible habit of ending scenes on cliffhangers or at crisis points.

Under Randall's direction, the acting is the way people used to describe the London Symphony Orchestra: loud, fast, and brassy. As with the writing, the texture is powerful – and yet the characters are scarcely three-dimensional. Bags of charm, though. Tony Armatrading may project too much integrity to be quite right for the jailbait Sterling, but his mixture of nervous intensity and spontaneous charm are very winning. As the statuesque, guarded, slow-walking, and observant Risa, Jenny Jules is very impressive. On press night, a couple of characters blundered around several lines and fluffed some cues, but it hardly mattered. Everything was strong, sweet – and harmless.

Tricycle Theatre, NW6.

Recital/**David Murray**

Pianist dreams on

Lars Vogt came a distinguished second – to Artur Pizarro – at the last Leeds Competition but one. I admired his playing warmly then, though I wondered whether he might not soon be tempted into conducting: his creative musicianship seemed to aim beyond the limits of the keyboard.

But Vogt has stayed with the piano, performing around the world and recording concerti with Simon Rattle; and on Sunday he reappeared in the Queen Elizabeth Hall's "International Piano Series".

It was a mixed pleasure. He began with three preludes by Henri Dutilleux, gently suffused with the sense of *mystère* that the 80-year-old composer has cultivated in all his later works. Long sonorities, brief bursts of delicate filigree, a sternly restricted harmonic palette: Vogt set them all out with dedicated intensity.

Often he came close to realising Debussy's ideal of a "keyboard without hammers", the sounds effortlessly emitted rather than struck. Nothing could suit Dutilleux better; but what Vogt played next was a half-dozen of Schubert's *Moments musicaux*, D.780, also treated to spectral half-lights, and to heedlessly imaginative *rubati*. They were fascinating, crammed with personal feeling – and there were passages in which one lost any sense of where the downbeats came.

That would be odd in *any* Schubert, and in the innocent *Moments musicaux* it was almost bizarre. Expressively teeming though Vogt's versions were, they sounded like hyper-subjective fantasies around the actual music, fanciful views from a long way off. One told oneself that this first half of his programme must have been designed to throw Brahms's Sonata no. 3 into lusty relief after the interval.

On the contrary, his account of that F minor sonata was as wittingly introspective as could be. Neither the opening Allegro maestoso with its thunder-and-lightning start, the "energico" Scherzo or the leaping Finale acquired any impetus. The programme-book quoted Vogt as saying of the Brahms that "one must forget the percussive nature of the piano and think in terms of wind and brass, of sonorities which are deeply connected".

But that is plain silly. Brahms himself was always known as a *burly* piano-player, and his three early sonatas all revel in the percussive sweep of the instrument. Though keeping the sound of woodwinds and brass in mind is a good plan, it gives no excuse for rendering Brahms like Debussy in ultra-deliquescent mode, all impressionist pedal-effects and downbeat-free. In this performance, we heard far more of Vogt than of the composer. Vogt is still only 25 or so; I expect he is going through a phase.

London Mime Festival/**Sarah Hemming**

Clowning about with Lorca

There are some artistic projects that are really better left on the drawing board. *King Lear: The Musical Revue* might be one, or *Winnie the Pooh: The Opera*. *The House of Bernarda Alba: The Clown Show* is definitely a candidate for early derailment, but unfortunately for us, no still small voice of sanity prevailed at Sweden's Theatre Manjana, and so audiences at the Purcell Room last week were treated to 80 minutes of Lorca's tragedy performed by an all-female group of clowns as part of the London International Mime Festival.

Of course, there must be many of us who, while watching po-faced performances of Lorca, have heretically thought he should be played for laughs. But then there are laughs and laughs. Watching *Bernarda Alba* performed by seven women in voluminous black skirts and red noses is not a side-splitting experience.

Theatre Manjana, directed by experienced mime artist Nola Rae, whip through the story using a few dozen words and a great deal of physical gusto. Bernarda Alba is played by Renée Samuelsson as a Chaplinesque little figure: small, pudgy-faced and mobile-featured, kitted out with a pair of unnaturally long circus boots and a determined air of malevolence. When her youngest daughter outwits her strict imprisonment and dallies with the local heart-throb, Bernarda Alba chains all five daughters to her belt, and swaggers about the stage with them flapping about her like a clutch of recently slaughtered fowl. The daughters squeak and burble (well, what else can you do when your means of expression are hampered by a bulbous red nose) and communicate through the excited gestures and goggle-eyed expressions usually reserved for theatre for the under-fives.

There are some inspired moments and entertaining images – Pepe el Romano, the object of the daughters' desire, is portrayed by a man's overcoat that each of them wraps about herself – and to begin with, the show has an absurd appeal. But this soon palls, and the end result is like watching Lorca interpreted by Tom and Jerry. Somebody warn them off *Three Sisters*.

Theatre Manjana's show is at least comprehensible, which is more than you can say for the new *People Show* at the Battersea Arts Centre. This is show number 101, and it it is the group at its most opaque.

As the show starts, we are in what appears to be a laundromat. A giant washing machine, steaming and clanking, dominates the stage. It rotates to reveal a group of white-coated individuals working slavishly at applying fluids, steaming, ironing and hanging up clothes. Every now and then one of them escapes, addresses the audience in confidential tones about his or her inner shortcomings, then climbs in through the washing machine door.

What is going on? Are we in the laundry room of some giant hotel? In a futuristic society? A lunatic asylum? Purgatory? While the group becomes more and more inventive, shrinking and growing and splurging out green jelly to back-projections of religious paintings, many of us are still labouring hopelessly at interpretation. Only a glance at the programme can offer enlightenment: apparently this is a show about religious cults, using the obvious metaphor of the dry-cleaning industry. Those who work in dry-cleaners may feel instantly at home, but the problem for many of us is that the group is already on fast-spin while we are still in pre-wash.

Black Mime Theatre's new show, *Dirty Reality II*, is an impressive attempt to deal with the complexities of black-white relationships through physical theatre. This is a huge subject, but the company covers the ground skilfully, travelling from slavery to the multi-layered difficulties of a small girl at the end of the 20th century as she learns to reclaim the culture of her black father and reconcile it with that of her white mother.

If there is a drawback to the show, it is that it is easier to raise issues through physical theatre than it is to follow through by debating intricate problems. But all in all, this is a fluid, powerful and angry show, beautifully choreographed by Benji Reid, directed with pace and force by Denise Wong and performed with great wit and precision by an extremely skilful cast.

People Show 101 tours to Wolverhampton, Coventry, Southport, Cardiff and Crawley (information on 0171-729 1841); *Dirty Reality II* continues at the Cochrane Theatre, London WC1 to February 3 (0171-242 7040).

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Rijksmuseum Tel: 31-20-6732121
● Saved for the Nation. The Collection of the Royal Antiquarian Society: exhibition of works from the collection of the Royal Antiquarian Society, originally founded in 1858 to preserve the Dutch cultural heritage. The show provides a survey of the objects collected by the society, many of which have never been exhibited before. Among the items on view are drawings, prints, books, atlases, fans, paintings and furniture; to Feb 4

■ ATHENS

CONCERT
Athens Concert Hall
Tel: 30-1-7282333
● New Hellenic Quartet: perform string quartets by Puccini, Cherubini, Respighi and Verdi; 8.30pm; Feb 5

■ BERLIN

EXHIBITION
Das Bauhaus-Archiv, Museum für Gestaltung Tel: 49-30-2540020
● *Umbo - Vom Bauhaus zum Bildjournalismus*: exhibition devoted to the work of Bauhaus photographer Otto Umbehr (Umbo), who is especially known for his portraits, views of Berlin, and photo reportages. The display includes some 180 photographs, many of which have never been exhibited before; to Feb 4
OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Aida: by Verdi. Conducted by Stefan Soltesz and performed by the Deutsche Oper Berlin. Soloists include Walther, Fernandez and Moisberger; 7.30pm; Feb 3

■ CHICAGO

OPERA
Civic Opera House & Civic Theatre
Tel: 1-312-332-2244
● Faust: by Gounod. Conducted by John Nelson and performed by the Lyric Opera of Chicago. Soloists include Richard Leech, Samuel Ramey, Renée Fleming and Dmitri Hvorostovsky; 7.30pm; Feb 2, 5

■ COLOGNE

CONCERT
Kölner Philharmonie
Tel: 49-221-2040820
● Kölner Rundfunk-Sinfonie-Orchester: with conductor Zdenek Macal perform works by Wagner, Mozart and Schubert; 8pm; Feb 3

■ GENOA

CONCERT
Teatro Carlo Felice
Tel: 39-10-589329
● Symphony No.7: by Bruckner. Performed by the Orchestra del Teatro Carlo Felice, conducted by Spiros Argiris; 9pm; Feb 2

■ HAMBURG

OPERA
Hamburgische Staatsoper
Tel: 49-40-351721
● Madama Butterfly: by Puccini. Conducted by Sebastian Lang-Lessing and performed by the Hamburg Oper. Soloists include Miriam Gauci, Yvi Jänicke and Hanne Krogen; 7.30pm; Feb 3

■ LAUSANNE

DANCE
Théâtre de Beaulieu
Tel: 41-21-6432211
● Les Ballets de Monte Carlo: perform the choreographies The Prodigal Son by Balanchine to music by Prokofiev and Sheherazade by Fokine to music by Rimsky-Korsakov; 8pm; Feb 3, 4 (6pm)

■ LEIPZIG

OPERA
Oper Leipzig Tel: 49-341-1261261
● Katya Kabanova: by Janácek. Conducted by Jiri Kout and performed by the Oper Leipzig and the Gewandhausorchester. Soloists include Julia Juon, Clarry Bartha and Jörg Schömer; 7pm; Feb 3

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Peter Katin: the pianist performs works by Schubert, Beethoven, Chopin and R. Schumann; 4pm; Feb 4
● The Nash Ensemble: with conductor Ian Brown and baritone Matthias Görne perform works by Busoni/Stein, Zemlinsky/Stein, Beethoven, Strauss and Mahler/De Leeuw; 7.30pm; Feb 3
EXHIBITION
Tate Gallery Tel: 44-171-8878000
● Sketching the Sky: Watercolours from the Turner Bequest: like many other artists of the Romantic period, Turner painted hundreds of studies of the sky. The act of making these memoranda was essentially an excercise intended to assist the recreation of naturalistic effects in more finished pictures. Yet Turner seems to have become increasingly absorbed with the process itself, to the extent that this can be seen as a distinct area of his work; to Feb 4

■ NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Takacs String Quartet: perform Schubert's String Quartet No.13 in A minor (Rosamunde), Bright Sheng's String Quartet No.3 and Beethoven's String Quartet in E minor, Op.59 No.2; 2pm; Feb 4
Carnegie Hall Tel: 1-212-247-7800
● St. Petersburg Philharmonic Orchestra: with conductor Mariss Jansons and pianist Emanuel Ax perform the overture to Weber's Euryanthe, Beethoven's Piano Concerto No.3 in C minor and Rachmaninov's Symphonic Dances; 3pm; Feb 4
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● Michala Petri and Lars Hannibal: the recorder-player and guitarist/lutist perform J.S. Bach's Sonata in F minor for treble recorder and basso continuo, Telemann's Two fantasies, Scheindienst's Variations on an Austrian folk song for sopranino recorder and guitar, and Tartini's Sonata in G minor; 7pm; Feb 3
EXHIBITION
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● River of Gold: Precolumbian Treasures from Sitio Conte, Panama: an exhibition of approximately 100 works of art in gold, excavated by the University of Pennsylvania Museum in 1940. Discovered in burials along the banks of the Río Grande de Coclé in central Panama, the objects date principally from the 8th through the 10th centuries; to Feb 4
OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● The Makropulos Case: by Janácek. Conducted by David Robertson and performed by the Metropolitan Opera. Soloists include Jessye Norman, Hakan Hagegard and Graham Clark; 8pm; Feb 1

■ ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Guarneri Quartet: and violinist Kim Kashkashian perform string quartets by Haydn and Brahms; 8.45pm; Feb 2

■ SALZBURG

CONCERT
Grosses Festspielhaus
Tel: 43-662-80450
● Wiener Philharmoniker: with conductor Roger Norrington and pianist Imogen Cooper perform Haydn's Symphony No.49 in F minor (La Passione), Mozart's Piano Concerto No.23 in A, and Beethoven's Symphony No.2. Part of the Mozartwoche '96; 7.30pm; Feb 2

■ VALENCIA

CONCERT
Palau de la Música i Congressos
Tel: 34-6-3375020
● Orquesta de Valencia: with conductor Manuel Galduf and violinist Uto Ughi perform Brahms' Violin Concerto in D major, Op.77, and Beethoven's Symphony No.5; 8.15pm; Feb 2

■ VIENNA

DANCE
Wiener Staatsoper
Tel: 43-1-514442960
● Manon: a choreography by Kenneth MacMillan to music by Massenet, performed by the Staatsopernballet; 7.30pm; Feb 2

■ WASHINGTON

JAZZ & BLUES
Terrace Theater
Tel: 1-202-467 4600
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Edward Mortimer

Worst of both worlds

Five years after the Gulf war, Saddam is still leading Iraq, and still keeping the world guessing about his real intentions

Five years ago Desert Storm was raging. Each night brought a hail of bombs and missiles down on Iraq, smashing the infrastructure of what had been (thanks to its rare combination of oil and a large, well-educated population) one of the Arab world's most advanced economies.

George Bush, then US president, had proclaimed the new world order, and had designated Saddam Hussein as the new Hitler, calling on Iraq's army and people to rise up and overthrow him.

Saddam was defeated. Once allied forces moved forward on the ground, his army fled from Kuwait almost without a struggle. Bush called a ceasefire, taking his own commanders by surprise, as they admitted in a TV documentary earlier this month. None favoured occupying Baghdad; all regretted they were not given time to encircle and disarm the retreating army.

Bush had hoped Saddam's overthrow would spare him the need for a ground operation to liberate Kuwait from its Iraqi invaders. The Iraqi people failed to grasp this point. They thought Bush shared their objective of liberating Iraq, and they chose what seemed the most favourable moment to rise up for that purpose, *after* Saddam had been defeated in Kuwait.

They got no help: neither weapons, fuel, food, medicine nor even public encouragement, although the victorious allied army was only a few miles away. When Saddam used helicopter gunships to attack the rebels, Bush's spokesman, Marlin Fitzwater, confirmed that this was "OK", because it was not prohibited by the ceasefire agreement (which allowed Iraq to use helicopters for humanitarian and administrative purposes).

Only weeks later, when Iraqi Kurds were pouring over the Turkish border, did western forces enter northern Iraq and establish a "safe haven", off limits to Saddam's aircraft and troops. This still precariously exists, though crippled by a double embargo: the outside world treats it as part of Iraq and therefore subjects it to sanctions, while Saddam withholds supplies because it is not under his control.

A southern no-fly zone was added in 1992, but this is no safe haven: it does not inhibit Saddam's use of ground troops. In southern Iraq as in central Iraq, Saddam still rules, blaming the west for the appalling conditions in which his people live. Many accept this explanation – including some ingenuous, and some less ingenuous, westerners.

Among the latter are Iraq's creditors and would-be suppliers; among the former are churchmen and aid workers who return from Iraq with harrowing tales of malnourished children and hospitals without drugs or anaesthetics. They call for sanctions to be lifted, often ignoring the fact that food and medicine deliveries have never been embargoed. Iraq apparently lacks the foreign exchange to pay for them, although not for rebuilding Saddam's palaces and re-equipping his army.

The UN security council has passed resolutions allowing Iraq to raise money for humanitarian supplies by selling limited quantities of oil – provided a share is spent on war reparations, and another share goes to the Kurds. Saddam has rejected these resolutions, but now says he will negotiate on the latest one. The news has rattled the oil market, and momentarily restored some purchasing power to the Iraqi dinar.

Talks will begin next week. But Saddam's chosen delegate is a middle-rank diplomat who will be given no leeway to negotiate. Few experts believe Saddam is really prepared to accept the UN's terms. If he did, the real income of ordinary Iraqis would be quadrupled, with the UN controlling the distribution of supplies. The difference in standard of living between Saddam's security forces and the rest of the population would be drastically reduced, as would the black market on which he and his cronies thrive. The mechanisms by which he controls the population might be fatally undermined.

Under renewed pressure from his former ally, King Hussein of Jordan (who has moved to restrict trade with Iraq and has been talking to Iraqi opposition leaders in London), Saddam has once again got the world guessing about his real intentions. As usual, he is playing for time, while staving off the most immediate threats. The security council had mooted the idea of sending a commission to investigate the humanitarian situation. This was proposed by France, one of Iraq's leading creditors, which wants sanctions lifted, or at least eased. The US and UK, however, insisted the commission must not only describe the situation but say who was responsible for it. Saddam would not welcome that. By offering to negotiate, he has ensured the commission idea is shelved.

So the stalemate goes on. In the north, an agreement has been reached between the two rival Kurdish parties, which until last summer were fighting each other. It provides for a peacekeeping force, to be formed by the Iraqi National Congress, an umbrella body to which both parties are affiliated. The US has promised to find resources for this.

Last March the INC did organise, with the help of one of the Kurdish parties, an offensive against Saddam's forces in the north. It had some success, but soon stopped, mainly because the other Kurdish party refused to join in, and the west again gave no support. Both the INC and its western backers were divided about the wisdom of such an offensive. Those against say the only hope for a change of regime lies in a military coup, and that the INC should encourage this by befriending the army, not attacking it.

But this was the logic that led the US to withhold support from the uprisings in March 1991. "Let the army defeat the uprisings, then it will turn on Saddam," was the experts' advice. The army defeated the uprisings, and five years later Saddam is still there.

Sanctions have been successful in "containing" Saddam within Iraq's borders. That is little consolation to Iraqis who have the worst of both worlds, suffering from sanctions and from his arbitrary rule. Increasingly they suspect that the west's aim is not to help them overthrow Saddam but to keep him in office as long as possible, as a way of keeping Iraq weak.

Saddam: sanctions have contained him within Iraq

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Priority should be for British Council

From Mr Bernard Siman.

Sir, As a former British Council scholar from Belgium, I add my voice to yours ("Penny wise", January 30) in defending the role the council plays in promoting UK interests.

As a case study, mine is specific and quantifiable. The small investment in my graduate education (£2,500), which was divided between me and a medical student from Luxembourg, earned the Treasury a good multiple of that sum in taxes and National Insurance (excluding rates, consumption, interest and banking services), two sons in British private schools, and a very modest contribution to British merchant banking in the far east. My wife, moreover, is British.

The dedication and wisdom of the director of the British Council in Brussels at the time, Mr David Jenkinson, was behind this shrewd investment decision, let alone the goodwill created. His budget was being reduced progressively, with a responsibility for both Belgium and Luxembourg. There were two deserving candidates, in his view, so he allowed us to share the bursary. It is the sum total of these wise acts, by the poor relations of the diplomatic service, that should spur the latter into becoming more sensitive to the trade realities of today's world, or face a shake-up.

The priorities should be put right: reduce idle diplomatic staff, protect and expand the budget of the British Council so that British trade may thrive. Mr David Howell's view should prevail.

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Tax on grain exports from the EU is the only rational move

From Mr Douglas Hogg MP.

Sir, I was surprised at your criticism ("A missed chance", January 25) of the decision by the EU agriculture commissioner Franz Fischler to introduce a tax on grain exports. I think it is wide of the mark.

The EU's problem with cereals, as for other important products, has always been big surplus production that had to be exported with expensive subsidies.

In 1992 the EU cut grain support prices, introduced cash payments to farmers to compensate for the cut, and went in for set-aside. The aim was to enable it to live within the General Agreement on Tariffs and Trade-imposed limits on subsidised exports.

That is not the British government's notion of an ideal policy. But it was where Mr Fischler had to start from in deciding how to react to the sharp rise in world grain prices that have taken them above the EU support level.

You say that, instead of an export tax, set-aside should have been relaxed or the compensation payments reduced. On the first, you seem to forget that crops take time to grow. Grain now available on the EU market was sown in the autumn of 1994. The Agriculture Council did reduce set-aside for that crop.

Had it been able to foresee the high world prices that materialised a year later, no doubt it would have made a bigger reduction, secure in the knowledge that the surplus could be exported without subsidy. But it was not so omniscient. Last autumn, the set-aside requirement was cut further; but, of course, the grain will not become available until this summer.

On the second, I have recently written to Mr Fischler drawing his attention to the massive over-compensation to farmers resulting from the fact that EU market prices have fallen by much less than expected when the compensation payments were set in 1992.

I very much hope he will recommend the Agriculture Council to reduce the payment rates. But this would only take effect from the next crop: the payments on the 1995 crop have already been made.

So what should be done here and now? Surely an export tax, which benefits consumers and reduces the degree of over-compensation to farmers, is an entirely rational move.

Should we really signal to consumers that the Common Agricultural Policy can never work in their favour because they must always pay the EU support price or the world price, whichever is the higher?

I would very much welcome cereal farmers being fully exposed to world price movements. But I can see no point at all in an exposure that goes in one direction only.

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Constraints to development of Internet

From Professor Ippei Wakabayashi.

Sir, Your article "Drowning, not surfing" (January 22) was interesting and suggestive, and Mr Michael Beirne's critical comment "Japan may have been slow to catch Internet fever but it will make good its promise in 1996" (Letters, January 24) is persuasive on some points. The present Net culture is changing rapidly as indicated by Mr Beirne, but towards where?

This is the very point. The Net is changing constantly. Most people have a strong need to join in the Net culture, but the present Net culture prohibits it. Why? Because today's Net culture is mainly based on the PC culture that started from the hobbyist sub-culture in the 1970s and has grown up into the present sophisticated systems. Ordinary users enjoy no more than a small, limited part of it. Only professional or manic users can fully enjoy such culture.

Ironically, we know many "professional" PC users are suffering from problems with bad user interfaces: the sudden freezing of the desktop screen, and the unlucky and suddenly-occurring system crash. I am sorry, but Macintosh is no exception. The majority of people never support this kind of PC culture. They support really easy-to-use systems like TV, VCR or microwave equipment. Their needs will make the next Net culture and create new, easy-to-use equipment and popular programs.

The Net culture was born in the US and Europe, and has been spreading out to the rest of the world. In the 21st century it will enter the next stage, where more than 2bn people enjoy it, including the world's largest populations, China and India. Japan Inc may succeed in making new consumer products like "Netkaraoke" or "Net Nintendo", but on the other hand many newcomers will be able to ride the next surf using the new Net environment.

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Hidden champions take a bow

A new book tries to find out why small companies are Germany's success stories, says Andrew Fisher

Germany's most successful companies are often its minnows rather than its giants. While the names of such multinational concerns as Siemens, Volkswagen and Daimler-Benz commonly symbolise the might of the German economy, it is the myriad smaller and medium-sized (Mittelstand) companies that provide the real impetus behind exports, economic growth and jobs.

Hermann Simon calls them the "hidden champions". Many of these companies, of which he has discovered more than 500, have world market shares of between 70 per cent and 90 per cent. Few big companies can even dream of this. In his new book, *also to be published* in the US, he subjects this layer of industry to intense scrutiny.

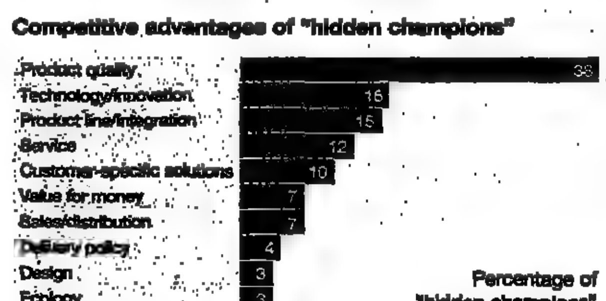
He is also, however, concerned about its future. The best companies will survive, but high taxes, bureaucracy and the financial burden imposed by Germany's generous social security system will push many to expand even more rapidly abroad. Their growing worldwide presence will help create new jobs at home.

Yet Simon – a former management lecturer at Mainz university who now heads the Simon, Kucher & Partner consultancy in Bonn – sees "*serious dangers*" for the Mittelstand, around which a debate has recently flared up concerning tax rates, investment incentives and innovation.

The book deals with the companies rather than the system within which they operate. But Simon admits he is pessimistic about whether government concern over jobs and economic stagnation will result in much action. "Millions of Germans have got used to support from the state," he says. Thus he doubts whether enough will be done to cut the social security budget and reduce the levies which add to industry's costs.

Through their very determination, the companies studied by Simon have so far managed to deal with such impediments. Some of his champions are really hidden. Outside their own – often highly specialised – sectors, many are barely known. For instance, Hauni leads the world market for cigarette machines with a 90 per cent share. Tetra holds more than half the world market for ornamental fish food. Others with dominant positions in their often esoteric markets include Binhold (anatomical teaching aids such as skeletons), Götz (dolls) and Aixtron (coating plants for semiconductors). Simon's champions also include some companies which are well-known in German industry: SAP, the fast-growing business software producer, Märklin (model trains) and Leybold (coating and vacuum technology).

Competitive advantages of "hidden champions"



Some of Germany's world market leaders

COMPANY	PRODUCT	TURNOVER (DM)	EMPLOYEES
SAP	Business software	1,800	5,000
Aesculap	Surgical instruments	525	4,500
Hille & Müller	Cold rolled steel	500	1,500
Ex-Cell-O	Machine tools	450	1,300
Märklin	Model railways	220	1,700
Arnold & Richter	35mm film cameras	195	700
ASB Grünland	Potting compost	191	465
Matth. Hohner	Harmonicas, accordions	190	1,050
Grenzebach	Glass handling equipment	100	450
Hensoldt & Söhne	Telescopes, binoculars	90	957

Source: Hidden Champions

What characterises all these companies – defined by being number one or two in the world market or first in Europe and having a turnover below DM1.5bn ($1bn), with a few exceptions – is a strong commitment to be the leader of their field, and even to define the very nature of their market. As well as producing innovative products, they take pains to ensure quality, follow-up service and punctual delivery and repair. Reliability is vital to their success.

Simon decided to try to discover the root causes of these champions' success. The main requirement seems to be sheer obsession. "The hidden champions strive for market leadership – nothing else." And they are tireless in seeking this goal, over decades if necessary.

They are also extremely innovative, frequently producing technological breakthroughs. Such star companies tend to have several times as many patents as big companies, measured by size of workforce. But they focus with equal intensity on technology and marketing. Closeness to customers is an obvious attribute. But they also watch their rivals like hawks.

Showing how excellence can breed imitators, and thus competitors, Simon notes that top companies in specific fields are often in the same town or region. He cites the examples of Würth and Berner in assembly products and Aesculap, Storz and Martin in surgical instruments. Such companies thrive – if they do not go under – on direct competition. But all the hidden champions attack their competition wherever it is to be found – "they defend their market shares bitterly".

Spurred on by their strongly individualistic and combative streak, such companies set their own pace and style. "Hidden champions go their own way," says Simon. "They do things differently than other companies and do not follow what popular management gurus say." Admirable though this is, however, such egoism also has its drawbacks, especially since most star companies are family-owned.

The most obvious is the succession problem. As the founders age, they have to hand over the reins. But many company owners do not want to step down. "Strong personalities don't want to give up." Nor do they always have heirs willing or able to take over. This can be solved through management buy-outs or trade sales, but new owners have to ensure that these companies do not lose their character or freedom.

Yet if Germany's example is so potent, why are there no outstanding business personalities there to match Bill Gates in the US or Richard Branson in the UK? One reason is envy, Simon says. "In the US or Japan, people envy Bill Gates in a positive sense. Here, the response tends to be negative – people comment on how high their tax bill must be. The effect of envy is that people keep out of sight.

"This means there is no positive motivational effect. Locally, German business leaders are well known. But unfortunately, they are not visible enough to set a wider example." It is also not the usual style in Germany to parade one's success. Tough and dynamic the bosses of the champion performers certainly are. But they are keen that they, if not their companies, should stay hidden.

Die heimlichen Gewinner (Hidden Champions). Die Erfolgungstrategien unbekannter Weltmarktführer. Campus Verlag, Frankfurt. DM68. (English version to be published in May by Harvard Business School Press, Boston, US, as Hidden Champions – Lessons from 500 of the world's best-unknown companies.)

FINANCIAL TIMES

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Wednesday January 31 1996

Hanson: the end of an era

Three decades ago, James Hanson and Gordon White started their life's work: turning a small company with interests in truck sales and fertiliser sack hire into one of Britain's biggest businesses.

Yesterday, five months after Lord White's death, Lord Hanson answered the question of what is to become of the company as its founders leave it.

By splitting Hanson into four, he is acting as boldly as in any of the takeovers that made the company a conglomerate with a stock market value of £11bn ($17bn). While it must have been tempting to leave behind a giant enterprise bearing his name, the new bearer of the Hanson escutcheon will be an unglamorous £2bn-a-year supplier of building materials.

Hanson's raison d'être was the purchase of underperforming companies, the sale of their peripheral assets, and a fierce focus on the profitability of what remained.

In this way, the group was able to cover the costs of its Imperial Tobacco acquisition from disposals, and still have a business generating £350m in operating profits. Similarly, it was able to recover one and a quarter times the price it paid for SCM in the US, and still retain a profitable specialty chemicals company.

The demerger underscores one fact about the company that its detractors sometimes forget: it has always had a cadre of strong, profit-oriented operating managers, capable of filling the top jobs in four substantial companies.

Yet the risks it took in making bold, often contested, acquisitions were offset by a determined caution in its operating style. This approach, with its emphasis on short-term payback, was heavily criticised. So, too, was the group's strong Anglo-American focus. The Hanson formula was inoperable in the capital markets of continental Europe. Nor did the company ever seek to build global brands.

In the absence of more effective pressure by institutional investors for improved corporate performance, predators like Hanson have performed a necessary function, especially in mature or declining industries. That way of working did, however, become controversial when it appeared to pose a threat to a higher-tech, capital-intensive business in the shape of Imperial Chemical Industries.

ICI's robust counter-attack, in resonse to the build-up of a Hanson shareholding, was a turning point, in that it seemed to reveal management weaknesses in Hanson itself. The demerger solution at both Hanson and ICI is a much better outcome than would have been a combination of these two very different companies.

Hanson itself had grown too large, and arguably too complex for the kinds of acquisition that fuelled its growth. It has in any case been handicapped by the loss of Lord White, the partnership's deal-maker. The stock market has become more preoccupied with growth stories, and less enamoured of a focus on turnrounds in unexciting and mature industries.

Hanson was a product of its time, and that time has gone. The shares have underperformed for some time. If – when – complacent managements and underpriced assets re-emerge, so will the Hansons of the next generation. In the meantime, all credit to Lord Hanson for devising a solution that provides an attractive dénouement to his career, and which may contain lessons for other large and undeperforming groups. This is a fitting curtain call for a group that has been both admired and feared.

Jobs for Germany

The "comprehensive" action plan to boost growth and jobs announced by the German cabinet yesterday is not, by any stretch of the imagination, comprehensive. Nor is it likely to raise domestic demand and employment in the near future. But incremental, painfully consensual steps towards reforming the German supply side are a good deal better than none at all.

Observers will spot many an old friend in the programme. One example is the plan to abolish the local trading capital tax which Mr Theo Waigel, the finance minister, has tried, and failed to get rid of in the past.

Yet the package does at least press many of the right buttons: deregulation of the economy, reductions in social security contributions, pro-business tax reforms. The issue is whether today's relatively reformist climate will last long enough for the measures to pass through the consensual political process into law.

Economic distress triggered similar talk of German structural reform in the past, only to falter as the economy began to pick up. Many of yesterday's proposals were in fact reminiscent of the action plans of 1993, when many argued that Germany would never escape recession without a fundamental overhaul of the economy.

The "miraculous" economic recovery of 1994 – and subsequent revival of faith in the German model – caused many of those proposals to be shelved. Yesterday's proposals could all too easily suffer the same fate if output and demand began to revive over the next few months. But waverers should note that at least three-quarters of Germany's nearly 10 per cent unemployment rate is structural, not cyclical.

Chancellor Helmut Kohl will not be able to achieve his promise to halve unemployment by the end of the century on the strength of yesterday's package alone. Above all, the plan almost entirely fails to address the question of deregulating the service sector, where a large share of the new jobs would have to come from.

As ever, the greatest short-term hopes for a revival in German growth must lie with the Bundesbank. Although the December money supply figures were stronger than many expected, the poor state of the economy might trigger a second cut in the discount rate, presently 3 per cent, as soon as Thursday's council meeting. But in the negotiations to come Mr Kohl and his social partners must not repeat the time-honoured ritual of talking about supply-side cures, but relying on the relief of renewed demand.

Old clothes

There are so few public clues to the thinking of the Chinese Communist party that the fashion statement carries as much weight as the politburo communiqué. In recent days, Jiang Zemin, party leader and anointed heir of Deng Xiaoping, has been gracing public meetings in an off-khaki Mao suit. Both the colour and the cut of Mr Jiang's outfit provide important hints about the shifting strength of factions and the direction of policy.

Khaki is a concession to the People's Liberation Army, whose support is essential to the durability of a Chinese leader. And the high-collar is favoured by elderly conservatives, whose retro taste in clothes matches a political philosophy steeped in the past glories of the Communist party.

Strategic changes of clothes have marked the turn of political trends over two decades of Chinese reform. In the cruelty and chaos of the Cultural Revolution, there was no choice. The western suit was evidence of decadence and an invitation to be purged. What westerners know as the Mao suit, which Chinese call the *zhongshanfu* in honour of an earlier revolutionary, Sun Yat-sen, was standard issue for safety-conscious party leaders. In the 1980s, when confidence was growing, leading reformers were willing to take the risk of wearing a lounge suit. The symbolism was obvious to all. Outside the leadership compound, Chinese began experiments with loud ties and wool-blend fabrics. Hemlines now rise and fall with the tide of secular fashion.

But the sartorial struggle goes on within the Communist party. After the Tiananmen tragedy in 1989, Mao-suited conservatives dominated. At the onset of other campaigns against "evil winds", "spiritual pollution" and "bourgeois liberalisation", reformers found it convenient to return to the wardrobe and prove their political purity by stealing their opponents' clothes.

Apart from the traditional tunic, Mr Jiang, by Chinese standards a middle-of-the-roader, has acquired the rhetorical accoutrements of conservatism. Suddenly, he is alarmed by "cultural trash" and insistent that the country not "sacrifice ideology" for economic growth.

There is obviously conflict in the Communist party. It could be that unreconstructed conservatives have mustered the numbers to threaten economic policy. It could be that Mr Deng is very close to death and the succession brawl has begun. China remains unpredictable and, as the next emperor, Mr Jiang has good reason to worry about his clothes.

Douglas Hurd says that pressing ahead with a single currency on the present timetable could damage the wider aims of the European Union

Hold fire on monetary union

Some of us who have worked for the coming together of the peoples of Europe can now reasonably make a request to those who manage Europe. You should no longer make support for a single currency the overriding test of support for the European Union.

The fathers of the European Community believed in the doctrine of the "great leap forward". It was not enough for the European Community – now the European Union – to make gradual progress step by step. Such steps would end in nothing.

Instead, the imagination had to be caught at intervals by some dramatic move forward, with a clear timetable. Thus the European Community was born, and later the single market. Thus, the concept, the criteria and the timetable for economic and monetary union were agreed at Maastricht.

It was not seriously argued on economic grounds at the time of the Maastricht conference that a single market required a single currency. The single currency was devised in a sincere and honourable way as the next political leap forward. There was no repetition of the arrogant mistake made at Messina in 1955 when the UK refused to take any part in preparing the Common Market. This time the UK is part of the preparation of the project but, thanks to John Major's opt-out, not committed to the outcome.

There is now a muffled cry in unexpected places either for postponement of the timetable or dilution of the criteria for monetary union. Dilution is difficult because although some sophisticated Germans worry about too strong a D-Mark, German public opinion fears that the Euro-mixture is too weak. Postponement is difficult because the timing is in the treaty and the signatures on the treaty were powerful and determined. I do not underestimate the strength of this honourable determination.

It is not logical for the UK to request a postponement because the UK has no commitment to join. It is not at all easy for those who wish to join but may be unable to ask for a postponement because this looks like a confession of weakness. But someone has to face reality. All have tactical and political difficulties. But the Germans are best placed without humiliation to suggest postponement.

The reasons for the cry are clear enough. Instead of unifying the Europe of 15, the Emu proposal divides it into three clubs. There are those which, by the beginning of 1998, will probably be both able and willing to join a single currency in 1999. There are those which will probably be able, but probably not be willing at that date. Finally, and most poignant, there are those which are anxious to join, but who will not be able to meet the criteria if the treaty stands as it stands today and is interpreted with reasonable rigour.

Second, the relationship between member states which will be in the monetary union and those which will be outside it is now to be examined. It was not examined at Maastricht because the assumption was that at least all the important states would be in. Unless this study is agreed and successful, there is a danger that the single market itself might begin to unravel. What had been devised as a leap forward in unity would then become an angry retreat in division.

Third, the timetable for monetary union falls at an awkward stage in the economic cycle. Growth is slowing across Europe, unemployment is a main preoccupation.

It is good in itself to reduce government deficits and public debt and to keep inflation under control. It is a ludicrous paradox to see some British economic commentators, known for their rightwing virtue, beginning to preach vice to France in the form of deficit, debt and devaluation – simply because virtue is now identified with Germany and the Maastricht treaty. Rational British Conservatives can see in what Alain Juppé is trying to do some of what we are glad to have done ourselves.

But these necessary reforms are best accomplished by national persuasion on a national timetable. Such flexibility is not available to those whose main priority is to join the single currency on the timetable in the treaty.

Fourth, after convergence, what? Nothing in the treaty defines the morning after. A distinguished Italian told me this month it was possible that with a great effort Italians might train themselves down to the necessary weight to qualify one day for the match – but everyone knew that the day after there would be a great rule-breaking feast.

Expecting this danger, Mr Theo Waigel, the German finance minister, is now devising a fitness club which would keep everyone underweight for ever. This club is not in the treaty. Its underlying thought would be widely and deeply unpopular in practice.

If we all continue as we are, the European Union as a whole is in danger of falling into what at Maastricht was simply the Danish delusion. I remember well the Danes chiding the British negotiators then because we were so slow and so hesitant, and insisted on so many changes in the draft. We were told that the Danes had overcome all these hesitations. But those who told us were wrong about one basic element, the Danish people, whose initial rejection of the treaty came close to derailing it.

We hear the same voices again today. Sometimes they politely chide those who hesitate for lack of leadership. But leadership in a democracy consists of being one step ahead of your followers. If you are 20 steps ahead, nobody follows.

It is said that postponement would mean that Europe was condemned to stagnation or even disintegration over the next few years. That is not so. It arises from the fallacy that at any one time there is only one test of European success.

On the contrary, member governments can put forward an agenda for Europe of huge significance. We have to enlarge the Union to the east as we have promised. We can no longer pretend that half of Europe is the whole of Europe, or that Prague, Warsaw and Budapest are not as European as Rome, Paris or London.

Beyond those countries lies something else. At the time of Maastricht it was possible to imagine that Russia would evolve fairly smoothly towards liberalism in political, economic and foreign policy. We see now, by contrast, that the confused turbulence of Russia is likely to pose the greatest single problem for European statesmanship in the next decade.

I see no reason of interest or instinct why there should not be an agreed common European policy towards Russia. We do not need a new treaty for this. We need the will and the wit to use the provisions of the existing treaty in a consistent and professional manner. We would then be a valid partner for the US in tackling what is likely to be our great single joint problem. None of this was apparent at the time of Maastricht. It is apparent now, and we should act on it.

Within the European Union we have to complete the single market and show its importance to our citizens. We are all committed to the "ever closer union of peoples".

This does not mean the creation of a superstate, or the gradual and indefinite transfer of authority to Brussels. It means the intertwining of the lives and work of our citizens, our professions, our businesses through effective competition, the elimination of state subsidies, the implementation of the Gatt agreement and privatisation.

There is plenty of detailed work which is not complete. For this purpose we need the supranational institutions which exist – the Commission, qualified majority voting in spheres which it already occupies, a court, a directly elected parliament.

Those who have felt in their hearts that the single currency was becoming the wrong test for the success of the EU have, until recent weeks, been mainly silent. We felt perhaps that, if we spoke out, we would give comfort to those whose aim is quite different – namely to reverse the processes of Europe, to win votes from xenophobia, to narrow our horizons back to 1935 or 1945.

But opponents of the EU in several countries will gain strength above all if the leap forward to a single currency finds no solid ground at the other side of the chasm. Earlier leaps have also had to be modified – the European Defence Community in the 1950s and the first plan for economic and monetary union in the early 1970s. Perhaps Europe is now sufficiently mature to see that the concept of the great leap forward is flawed.

National governments are judged at elections, not by what they promise for the future, but by how they are performing in the present. At present the European Union lacks something which we can and should supply between now and the end of the century: a link which the citizen welcomes between the work of the EU institutions and his or her daily life, a sense that the security and prosperity which the EU has brought is well founded and can be sustained.

The author was UK foreign secretary between 1989 and 1995, and is now deputy chairman, NatWest Markets

· OBSERVER ·

Hole in the thesis

■ Just when his faction-ridden seven-party coalition seemed finally to be coming to heel, Thai prime minister Banharn Silpa-archa has fallen into trouble for his extra-curricular activities – or non-activities.

The latest kerfuffle concerns a masters thesis for a law degree which Banharn somehow found time to submit last year – in between masterminding a government collapse, gaining victory in the subsequent election, organising a coalition and assuming power. That's not to mention the handful of foreign trips he undertook.

The thesis tackled political party funding and had two principal flaws. First, the author quoted extensively from French-language material for which no Thai translation exists. Banharn speaks no language other than Thai.

Second, passages of the thesis were found to be identical to a research paper written for the interior ministry by Banharn's thesis adviser, Pokin Polakul, who speaks fluent French and holds down a ministerial position in Banharn's own office.

Surely Banharn didn't have Pokin write a thesis which Pokin then cobbled together from bits of his own work?

It would be a pity, because Banharn, who has been known throughout his political career as a "walking ATM" because of his propensity to dole out the cash, probably knows more about the intricacies of political party funding than all of his professors combined.

Citizen Hanson

■ Hanson's dramatic decision to break itself up into four companies is rather at odds with the corporate adverts it has been running on US TV recently. The ads, extolling the benefits of a conglomerate, have puzzled US viewers.

They use the plot of Citizen Kane, where the March of Time newsreel tries to understand a dead capitalist's thinking by examining his investments. The black and white footage shows the executive buying businesses in bricks, coal, timber and so on. But what, asks the newsreel's editor, was the common theme?

Cut to the dying man's final whisper… Hanson.

Foxy Ailes

■ When Rupert Murdoch announced last November he was launching a 24-hour news network to rival Ted Turner's CNN, he said that the Turner channel had moved "further and further to the left" in recent years. Now he is restoring the balance by hiring Roger Ailes to run Fox 24 hours.

Ailes has been in television for more than 30 years, starting in 1965 as a 25-year-old "prop boy" on one of the early US talk shows. But he has also had a sideline in political consulting, advising three US presidents – Nixon, Reagan and Bush.

Asked yesterday if the programming on the Fox news channel would be more right wing, Ailes replied that he had quit politics years ago. But he planned to bring back objectivity where it was lacking, he said, through "fine, balanced journalism". Which is probably a "yes".

No quavering

■ At least Gerd Albrecht, the embattled chief conductor of the Czech Philharmonic Orchestra who quit yesterday, went with a flourish.

The elegant but imperious Albrecht, who has fallen out with everybody who matters in Czech cultural circles, made sure he flagged his press conference well in advance. He was rewarded with an audience that packed Prague's Rudolfinum concert hall, home to the CPO.

To the massed ranks of Czech and German media he read a prepared statement that shed little light on the reasons for his departure – which appeared to have a lot to do with the difficulties of being a German in charge of a pillar of Czech culture.

Still, it was quite a performance, prompting one participant to question whether even Helmut Kohl, or Vaclav Klaus, played their audience quite so masterfully. Perhaps a career change is in order.

Which platform?

■ Roger Bootle, group chief economist of HSBC, obviously did a splendid job of denouncing the "trains, boats and planes" school of economic theory (to whit: if it's leaving, you'd better board it, regardless of its destination).

At the first City Debate on Monday at the Mansion House sponsored by the Futures and Options Association, Bootle and team were speaking against the motion that the City's best interests were served by the UK joining a putative single currency. The audience were polled before and after the debate for their own views.

Earlier in the day, Bootle had confided he was not looking to effect much of a swing, expecting opinions to be "firmly entrenched". In the event, the City punters proved to be a remarkably flexible lot.

From 37 per cent for and 51 per cent against the motion, the audience moved to 24 per cent for, 73 per cent against. But then, everyone knows the City only holds short-term views.

The Financial Times

100 years ago

The Piraeus-Larissa railway

At the London Bankruptcy Court yesterday, William Eckersley, railway contractor, obtained an order of discharge subject to a suspension of three years from November last. The bankrupt, a member of the Institute of Civil Engineers, was concerned in the construction of the Piraeus-Larissa railway for the Greek Government, and with others claims about £453,000 in respect to the work done on that railway. He attributes his failure to the action of the Greek Government and the non-settlement of of the claim upon the contract.

50 years ago

President urges quick action

Calling upon Congress to ratify the Anglo-U.S. loan agreement, President Truman stressed that the loan of £937,508,000 was essential to the life and work of the British people. The President said it would at the same time "keep open the market for those surpluses of U.S. goods which are customarily exported to the U.K." Discussing the clause in the loan agreement which would waive the payment of interest in any year in which Britain finds she has an inadequate dollar balance, the President said: "It is not to our advantage to press for payment of interest when payment is impossible, and thus force default and a crumbling of international relations."

FINANCIAL TIMES

Wednesday January 31 1996

Brussels faces rough ride over merger vetting plan

By Emma Tucker in Brussels

Plans by the European Commission to extend its powers to vet company mergers are likely to get a rough reception from member states when they are unveiled today.

Officials say that, after extensive consultation with industry, they believe that too many mergers affecting the EU's single market fall outside the scope of the *Commission's merger taskforce.*

Under existing rules, mergers are referred to Brussels only if the combined global turnover of the companies involved is more than Ecu5bn ($6.35bn) and at least two of the merging companies have a combined turnover of more than Ecu250m inside the EU.

A green paper by Mr Karel Van Miert, the competition commissioner, proposes a reduction in the thresholds to Ecu2bn and Ecu100m. The paper is expected to be endorsed by fellow commissioners at today's meeting of the EU's executive body.

Under the new thresholds, a case such as the stalled takeover bid by the British motor components manufacturer T&N for Kolbenschmidt, a leading German piston manufacturer, would automatically fall under the scrutiny of Brussels.

The bid has been rejected by the German authorities. Brussels has been asked for its opinion, but the combined turnover of the two companies is too low to *qualify for an automatic referral.*

Certain member states – notably Germany and the UK – are likely to oppose a steep reduction in the thresholds, preferring to keep merger policy under the control of their own competition authorities.

"We are not convinced that by lowering the thresholds, the Commission would catch mergers with a truly community-wide impact," said a British official.

Diplomats also doubt whether the Commission has the resources to deal with an extra 65-90 cases a year, which would almost double its workload.

In anticipation of hostility from member states, the Commission has prepared a fallback position, which would give it the authority to vet mergers involving more than one national competition authority.

This would promote the princi*ple of a "one-stop shop", allowing* merging companies to notify just one competition authority rather than all the relevant national authorities. *In some EU mergers, as many as four or five bodies* need to be alerted.

"If you are not going to reduce the thresholds then you have to maintain the one-stop shop principle by alleviating the burden on industry of multiple notifications," said one industry executive yesterday.

However, lawyers suggest that this option would be difficult to organise as the thresholds by which mergers are caught under national rules vary among member states.

Dispute at EU over contract tendering, Page 3

Fed may cut rates after poor US sales figures

By Michael Prowse in Washington

The chance of an early cut in US interest rates rose yesterday following the release of unexpectedly weak economic data on consumer confidence and sales.

The data were released shortly before Federal Reserve governors and regional presidents began a two-day strategy meeting in Washington.

Some economists said the Fed was likely to cut rates as soon as today, at the conclusion of the meeting. Others said the Fed might wait weeks for further confirmation of economic weakness.

The Fed cut rates by a quarter point to 5.5 per cent last month. Hopes of a further rate cut lifted US markets yesterday.

In early afternoon trading the Dow Jones industrial average was up 48.05 to 5,358.03, while the US long bond was up just under three quarters of a point at 111⅝, to yield 6.040 per cent.

The Conference Board, a business analysis group based in New York, said consumer confidence fell 12 points this month to 87.0, the lowest level in more than 18 months.

The Commerce Department said retail sales rose 0.3 per cent last month, marking a lacklustre Christmas retail season. Financial markets were expecting a sales gain of about 0.7 per cent.

If the Fed decides to ease monetary policy, the likeliest move is a quarter point cut in the federal *funds rate – the rate at which* banks lend to each other – to 5.25 per cent. However, the Fed could opt to lower rates by a half point to 5 per cent. A half point cut would require a parallel cut in the discount rate – the rate at which the Fed lends to banks – which is currently 5.25 per cent.

The Fed's decision will be based largely on its assessment of economic trends. If it believes the economy is weak, it is not expected to delay a rate cut *because of lack of progress on* balancing the federal budget.

With inflation apparently subdued, the case for easing policy is that economic growth appears to have slowed to an annual rate of perhaps 1.5 per cent, below the economy's estimated potential of just over 2 per cent.

Ms Rosanne Cahn, a senior economist at the New York office of CS First Boston, a financial services group, said a quarter point cut in rates would "both *address past softness and serve* as a pre-emptive strike against further fragility".

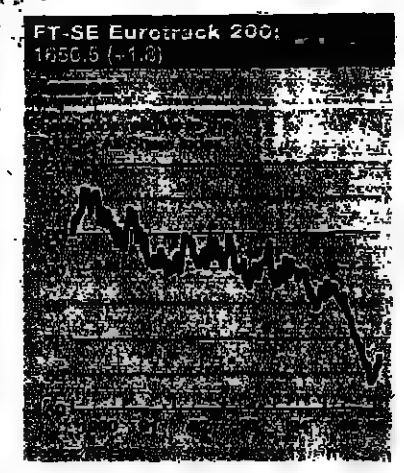
The Conference Board said the large drop in consumer confidence might have partially reflected unusually cold weather and the recent shutdown of the federal government.

However, looking ahead six months, consumers were "considerably less optimistic now as compared with December".

THE LEX COLUMN

Hanson's handsome move

The break-up of Britain's archetypal conglomerate, Hanson, is a sensible retreat from its long-espoused philosophy of diversification – and a useful escape route from its *draining* dividend policy. It may not reap the same rewards for shareholders as the demergers of ITT, Racal and, eventually, Thorn EMI. There are no high *growth businesses that have been hid*den within a behemoth, as with Thorn and Racal. Indeed, the sum of Hanson's parts could arguably be worth less than the whole. The demerged group will carry multiplied head office costs and an increased interest and tax burden, and its chemical profits will shrink under US accounting policies. Nonetheless, Hanson is making the best of a bad lot.



Having failed to inspire a stock market recovery through the demerger of USI and the acquisition of Eastern Group, Hanson was running out of options. It suffers from weak cash flow, *exacerbated by an extremely* high dividend payout. And there is the further issue of management succession, with hints that Lord Hanson wanted to support a dynasty: both his son, Robert, and Mr Christopher Collins – a niece's husband – gained recent promotions. The demerger *addresses both concerns. Dividends* will be paid in line with sectoral peers, pointing to an overall decline – something which is strategically wise, but would have hurt old Hanson's shares. *And the family is left controlling the* residual business, which looks like another conglomerate-in-the-making.

But shareholders stand to benefit from the deal. In the long-run, management focus should improve performance. And more immediately, Imperial Tobacco and the chemical business look like potential bid targets and should attract market ratings to match. It is not yet possible to evaluate the tax implications of the break-up. But assuming the costs are not onerous, Hanson is right to bite *the bullet.*

Germany

The German government's stimulus package reads like an industrialist's wish list. It includes cuts in taxes and social security contributions, deregulation of the economy and more venture capital for young companies. There is even talk of opening up the electricity and gas markets to competition, and further privatisations.

The real question is how many of these *measures will actually be put* into practice. Germany has a tendency to abandon unpalatable structural reform at the first sign of renewed economic strength. But with rising unemployment, uncompetitive labour costs and a faltering pension system, the economy urgently needs reform. Yesterday's package is at least a sign that the politicians have begun to recognise this.

Fortunately, the corporate sector is *not waiting for them. Groups from* Daimler-Benz to Hoechst and Siemens are focusing increasingly on improving profits and cash flow. If that trend continues to spread, the scope for *improving returns across Germany's* corporate sector is huge. The 8 per cent rise in the German stock market this year – making it the best performer in Europe – suggests investors are beginning to recognise this. Successful economic reform should continue to underpin valuations.

Repsol

Investors have a very simple reason for snapping up the Spanish government's fourth offering of Repsol *shares. By international standards,* they look a bargain. At less than 10 times this year's earnings, they are much cheaper than most oil stocks.

A rating as low as this is undeserved. Repsol's dominance of its domestic markets is formidable, and these are growing healthily by Europe's sluggish standards. True, the company is as exposed as any to volatile chemicals markets. But a strong position in Spain has given Repsol some cushion from the overcapacity problems which have plagued European *refining.* And its gas interests provide some high-quality earnings growth: domestic gas demand is expected to double by the end of the decade.

The snag is that all this has long been true, but the share price has obstinately failed to reflect it. Indeed, the shares have underperformed Repsol's European competitors for the last two years. Partly this is because ratings in the Spanish market tend to be low by international standards. Furthermore, the prospect of further offerings has dogged Repsol's share price. By choosing, for no obvious reason, to *retain a 10 per cent holding – on top of* its golden share – the Spanish government risks perpetuating this problem. Still, investors are right to expect Repsol's underlying strength to shine through – in the long run.

Electrolux

Electrolux's 1995 results give little *cause for cheer,* notwithstanding the upward spike in the Swedish household appliance maker's share price yesterday. Most likely, investors were *simply relieved that at least profits did* not disappoint this time. And their expectations had already been significantly dampened down in the wake of Whirlpool's profits warnings last year.

In reality, Electrolux's decision not to increase its dividend reinforces the company's gloomy outlook: demand deteriorated in 1995, and the trend looks set to persist in 1996. Furthermore, *margins are under pressure.* This is partly a result of its acquisition of AEG from Daimler-Benz, but also reflects the company's inability to pass on higher raw material costs to customers.

Business is particularly bad in the US, where turnover at Frigidaire fell worryingly. But European markets are also weak. The company's strategy of focusing more attention on emerging markets makes sense, but will have little short-term impact on earnings. Similarly, greater concentration on the *top end of the product range* should help preserve margins in the long term, but is pushing up costs. A strong performance at Gränges, its aluminium business, will be hard to sustain as the cycle turns.

Electrolux shares, currently trading at around seven times prospective earnings, do not look particularly expensive. But since it is difficult to see how the company will generate much earnings growth, there is still little reason to buy the stock.

Lex comment on KPMG, Page 24

More room for your rouble in Minsk than in Moscow

By Richard Adams in London

Bowls of fruit and free shampoo are the usual gifts in hotel rooms for business travellers. But not in Tbilisi, capital of Georgia, where the $264-a-night Metechi Palace Hotel provides a free candle for guests, as electricity in the evenings is rare.

Power supplies are more regular in Moscow, but 24 hours spent there will set back the average business traveller $548, making it the world's most expensive city to do business in, according to an international survey published yesterday. At the other end of the scale, a day and night of business in Minsk, capital of Belarus, costs only $126.

The survey by EuroCost-Luxembourg, an agency connected to the European statistical service Eurostat, is based on the average cost of one night in a double room in a city centre hotel, lunch and dinner for one, two short taxi rides, telephone calls, drinks, laundry and a daily newspaper.

The difference between Minsk and Moscow lies in the cost of accommodation. The four and five-star hotels that have sprung up in Moscow since the end of the communist era are the most expensive in the world: an average of $390 a night for a double room. In Minsk, the standard of hotels is poor, reflected in their average $96-a-night tariff. The restaurants of Minsk are mediocre, international telephone lines are difficult to find, and taxis are rare, according to the survey.

Other former Soviet regional capitals are now among the world's cheapest destinations. The Armenian capital, Erevan costs $132, only marginally more than Albania's capital, Tirana ($126), a dubious difference since food shortages in Erevan are common, and water and electricity supply is intermittent.

The study also surveys the costs of taxi rides from airports to city centres. Cheapest is the 19km journey to the middle of Suva, Fiji's capital, for only $4, while the taxi fare of $75 from the *university town of Oxford to London-Heathrow airport* is $2 more than a hotel room in Vilnius, capital of Lithuania.

Tokyo, traditionally the most expensive destination, is second most expensive at $516 a night, making London ($352), New York ($342) and Beijing ($323) a snip in comparison.

* *Business Travel Expenses Guide, Ecu350, published by EuroCost-Luxembourg, 1 rue Emile Bian, L-1235 Luxembourg; (352) 498458. All prices July 1995 exchange rates.*

Olympics

Continued from Page 1

"these decisions were taken based on the EBU's experience and expertise and in the interest of Olympic Movement and all viewers in Europe."

The BBC said the Olympic Games would be safeguarded for all UK television viewers until well into the 21st century.

The IOC decision partly reduces pressure on public service broadcasters who have been facing increasing competition from subscription television operators such as BSkyB.

The IOC decision comes as the buying of sports rights is being examined under EU legislation.

Hanson to split into four

Continued from Page 1

ager said: "The company in meetings with its shareholders has been told they are unhappy with its structure."

Hanson's shares closed 7p *higher at 211½p. One reason for* the modest rise was concern about dividends. Hanson said aggregate dividends would be maintained this year, but was silent on subsequent prospects.

It said it expected each company to pay a dividend "relative to other companies within its sector and to its financial strength and structure". Hanson's bonds fell in US trading last night after Moody's, the credit rating agency, said it was reviewing its rating for possible downgrade.

National Grid shares jumped 12p to 205½p because Hanson's holding will no longer face a forced sale under the rules of the Grid's flotation.

Hanson *embodied the UK corporate* style of the 1980s. Its name rarely appeared in print without the word "acquisitive". But it has fared less well since because it could find fewer acquisition opportunities of a material size, UK accounting changes made takeovers less attractive and its cashflow slowed.

Hanson will be advised on the demergers by N.M. Rothschild and Hoare Govett.

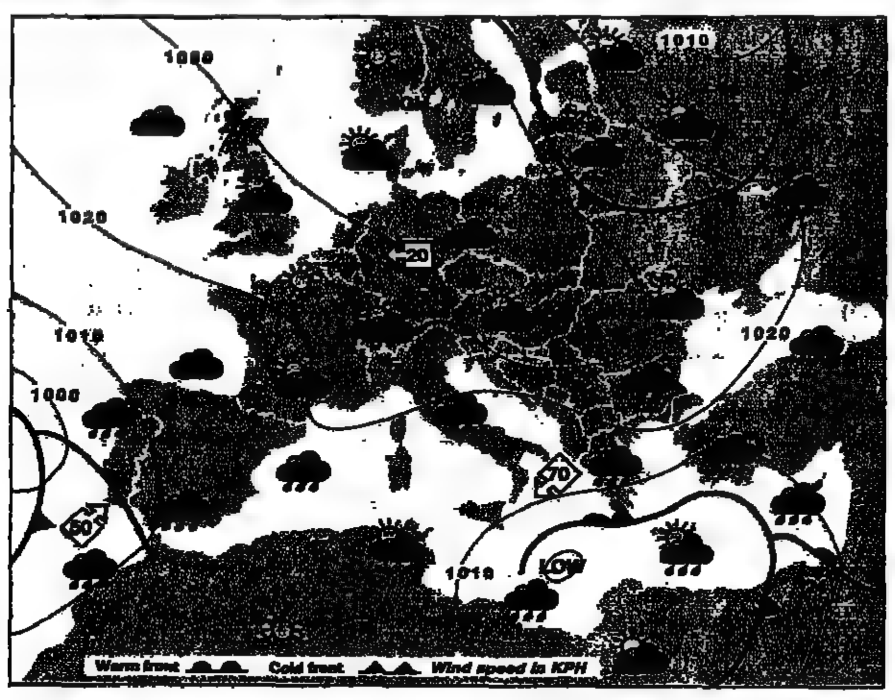
FT WEATHER GUIDE

Europe today

High pressure over southern Scandinavia will continue to produce cold and dry conditions in central and western Europe. Eastern Germany and Poland will be cloudy, but elsewhere it will be sunny as temperatures rise just above freezing. A low pressure system south of Greece will cause rain in western Turkey and Greece, accompanied by a north-easterly gale. North-east Europe and Russia will have colder air and snow. The Alps will be calm with sunny periods on the slopes.

Five-day forecast

High pressure will move towards the Black Sea, resulting in dry conditions over Greece and Turkey although the north-easterly gale will persist. Rain will spread from the Portugese coast over Spain tomorrow and into France on Friday. Heavy showers may cause flooding in Portugal on Friday. Winds will slacken and cloud will gather in north-western Europe. The risk of precipitation will increase during the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	sun	25
Accra	cloudy	[illegible]
Algiers	cloudy	18
Amsterdam	sun	1
Athens	rain	10
Atlanta	rain	11
B. Aires	thund	33
B.ham	cloudy	1
Bangkok	fair	31
Barcelona	rain	12

Beijing	sun	1
Belfast	fair	3
Belgrade	cloudy	-2
Berlin	cloudy	-4
Bermuda	fair	20
Bogota	cloudy	21
Bombay	sun	33
Brussels	sun	2
Budapest	fair	0
C.hagen	cloudy	-2
Cairo	fair	24
Cape Town	fair	26

Caracas	fair	30
Cardiff	fair	2
Casablanca	shower	20
Chicago	fair	-13
Cologne	sun	5
Dakar	fair	24
Dallas	cloudy	12
Delhi	sun	22
Dubai	sun	26
Dublin	fair	4
Dubrovnik	fair	11
Edinburgh	fair	3

Faro	rain	15
Frankfurt	sun	1
Geneva	fair	3
Gibraltar	rain	14
Glasgow	fair	2
Hamburg	cloudy	-3
Helsinki	cloudy	-1
Hong Kong	cloudy	19
Honolulu	shower	26
Istanbul	windy	4
Jakarta	cloudy	30
Jersey	fair	7
Karachi	sun	27
Kuwait	fair	22
L. Angeles	shower	17
Las Palmas	shower	23
Lima	fair	27
Lisbon	rain	13
London	fair	4
Lux.bourg	fair	-2
Lyon	fair	5
Madeira	shower	18

Madrid	fair	11
Majorca	shower	15
Malta	rain	15
Manchester	fair	3
Manila	cloudy	30
Melbourne	fair	25
Mexico City	sun	22
Miami	fair	27
Milan	fair	7
Montreal	sun	-11
Moscow	cloudy	-10
Munich	fair	-1
Nairobi	fair	27
Naples	shower	10
Nassau	fair	27
New York	fair	-3
Nice	fair	14
Nicosia	fair	17
Oslo	sun	-4
Paris	sun	5
Perth	fair	26
Prague	fair	-3

Rangoon	sun	33
Reykjavik	sleet	4
Rio	fair	33
Rome	cloudy	11
S. Frsco	rain	13
Seoul	sun	-1
Singapore	shower	26
Stockholm	cloudy	-3
Strasbourg	sun	-1
Sydney	fair	37
Tangier	rain	16
Tel Aviv	fair	25
Tokyo	fair	9
Toronto	snow	-12
Vancouver	fair	-2
Venice	sun	6
Vienna	fair	-2
Warsaw	cloudy	-5
Washington	cloudy	1
Wellington	shower	20
Winnipeg	fair	-25
Zurich	fair	-1

FINANCIAL TIMES
COMPANIES & MARKETS
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Wednesday January 31 1996

IN BRIEF

Apple slides as bid hopes fade

Apple Computer's shares fell sharply as investors' hopes of an imminent takeover bid for the struggling US personal computer company faded. Widely-rumoured talks between Apple and Sun Microsystems, the leading computer workstation manufacturer, are believed to have ended without agreement. Page 17

PolyGram withdraws offer for Goldwyn
Negotiations over the future of debt-laden Samuel Goldwyn, the Los Angeles film company, have run into difficulties, with the reported withdrawal of a partial offer from PolyGram, a subsidiary of Philips of the Netherlands. Page 17

Provisions send Bouygues into the red
Bouygues revealed big provisions for its industrial holding, telecoms and property businesses, forcing the French conglomerate into losses of about FFr4bn ($783m) for 1995. Page 16

Farnell shareholders threaten revolt
Owners of at least 10 per cent of the shares in Farnell Electronics of the UK are planning to vote against a proposed £1.85bn ($2.84bn) takeover of the US's Premier Industrial Corporation unless Farnell and its advisers can dissuade them ahead of an extraordinary general meeting next month. Page 24

Chilean flower may join war on pests
A yellow-flowered plant from the Chilean Andes could be about to revolutionise attempts to fight devastating pest damage to crops. Page 25

Companies in this issue

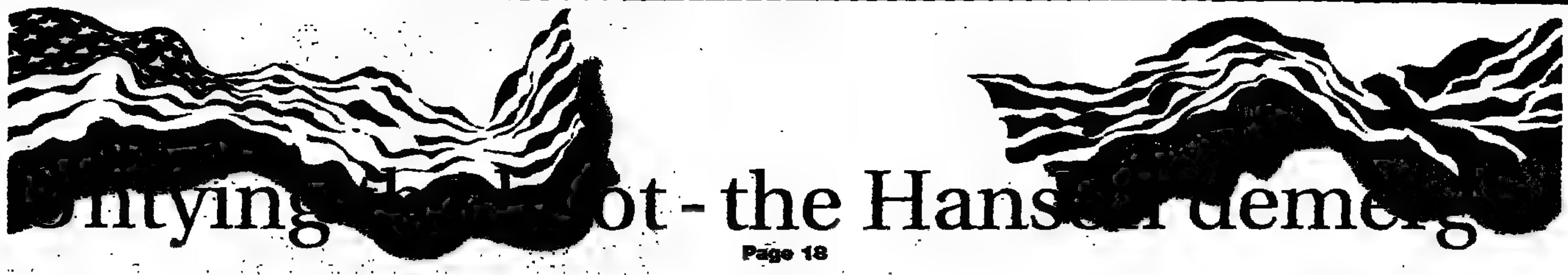
Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko	835	+	10
Herlitz	217	+	11.5
Falls			
Aachen Mch Rg	1036	–	36
Berliner Kraft	408	–	18
GEHE	736	–	18
VEW	508.5	–	7.5
NEW YORK ($)			
Rises			
AK Steel Hldg	38¼	+	2¾
Estee Lauder	38⅝	+	2⅛
Gen Motors	50	+	4
Falls			
Con Frghtways	22⅞	–	2¾
KLM Ryl Dtch	30⅜	–	2⅛
Sec Comp	25⅝	–	2
LONDON (Pence)			
Rises			
Euromoney Pbl	1253	+	65
JBA	395	+	26
Porvair	378	+	29
Falls			
Abbey Natl	595	–	19
Quality Sftwre	355	–	135
Ryl Bnk Scot	565	–	22
TORONTO (C$)			
Rises			
Cameco Corp	67⅞	+	5¼
KWG Res Inc	12⅞	+	2
QLT Photo	12½	+	1
Falls			
Asbestos corp	7¼	–	¾
Dreco Engy A	22½	–	1¼
Eli Eco Logic	10⅜	–	⅜

PARIS (FFr)			
Rises			
Accor	670	+	17
Alcatel	455.5	+	15.9
Banc Comp	504	+	18.8
Credit Natl	383.1	+	15.1
Legrand	880	+	36
Falls			
Total B	348.3	–	8.4
TOKYO (Yen)			
Rises			
Citizen Wtch	674	+	18
Godo Shusei	559	+	34
JEOL	850	+	22
Makino Mlg	980	+	38
Falls			
Ihara Chem	836	–	28
Nichii	1410	–	70
HONG KONG (HK$)			
Rises			
Bnk E Asia	32.8	+	1.6
Goldlion	6.75	+	0.3
Sun Hung Kai	72.25	+	2.25
Falls			
Cafe de Coral	2.25	–	0.1
Lung Kee	2.1	–	0.1
Shocan Hld	2.8	–	0.1
BANGKOK (Baht)			
Rises			
Krisda Mahakr	61.5	+	4.5
Phatra Thakit	208.0	+	8.0
Sompraeong	60.5	+	5.5
Falls			
Siam Tyre Co	382.0	–	40.0
Thai Ins	108.0	–	11.0
Thai Pack	21.5	–	2.25

New York and Toronto prices at 12.30pm.



Page 18

Electrolux downbeat despite 11% rise

By Christopher Brown-Humes in Stockholm

Electrolux of Sweden, the world's biggest maker of household appliances, yesterday painted a gloomy picture of its prospects in the first half of 1996, saying consumer confidence remained fragile in its main North American and European markets.

Mr Leif Johansson, chief executive, said the downturn would continue a pattern of lower demand for white goods – a key indicator of broader consumer confidence – that began in the first quarter of 1995.

His comments came as the group revealed an 11 per cent rise in underlying pre-tax profits to SKr4.0bn ($580m) for 1995 after a year when market conditions steadily worsened. In the fourth quarter, when demand for white goods fell in the US and Europe and the company was hit by the stronger krona, pre-tax income fell to SKr1.22bn from SKr1.28bn.

The gloom had been discounted by the market, helping the group's B shares to rally by SKr12.5, or 4.3 per cent, to SKr289.

Electrolux said its 1995 performance was hit by higher raw material prices – which could not be fully offset by higher sales prices – and intense competition due to slowing demand. But volumes held up and it reported higher market shares in Europe and North America.

The worst quarter was the fourth, when European white goods demand fell 1 per cent and North American demand dropped 1.9 per cent. The German market, the group's largest European market, fell 2 per cent with most of the continent's other markets also lower. An exception was the UK and Ireland, where demand rose more than 10 per cent.

"We would expect the first half of 1996 to be slower than the same 1995 period, with the European market coming down a little more than North America," said Mr Johansson. "The market I am most concerned about is Germany. Even though German consumers have received considerable increases in salaries, they are taking a cautious view on how to spend it," he added.

For the full year, underlying group operating income rose 5 per cent to SKr5.3bn and sales increased from SKr108bn to SKr116bn.

In household appliances – the biggest of the group's four divisions – operating income was steady. However, it was held back by problems in Frigidaire, the group's main US unit, which was hit by higher raw material prices and the costs of product launches.

Ironically, the main lift to group operating income came from the group's industrial products division, which includes the Gränges aluminium unit it plans to sell.

In the fourth quarter, Electrolux's operating income fell to SKr1.41bn from SKr1.55bn. The group proposes an unchanged dividend of SKr12.50 per share.

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Fiat chief likely to resign in March

By John Griffiths in London

Mr Giorgio Garuzzo, chief operating officer of Italy's Fiat industrial group, is understood to have told friends he has no option but to resign when group managing director Mr Cesare Romiti takes over as chairman from Mr Gianni Agnelli in March, as currently scheduled.

Mr Garuzzo, 57, who as chief operating officer has been Mr Romiti's deputy for nearly five years, was once seen as the obvious successor for the chief executive's role. Instead, Mr Garuzzo has been bypassed, with the job going to Mr Paolo Cantarella, 51, head of Fiat Auto, the group's cars division.

It is known that relations between Mr Romiti and Mr Garuzzo, a 20-year veteran of Fiat, have deteriorated in the past two years as Mr Romiti has been diverted by political scandals and their views on strategy for Italy's largest automotive and industrial group have diverged.

In December, Turin magistrates asked for Mr Romiti to be sent for trial for alleged links with illegal financing of political parties. The issue is unresolved, with Mr Romiti potentially facing further questioning.

Some Fiat watchers believe Mr Cantarella's appointment has dangers for the group because, in his wider role, he might be unable to continue to oversee closely the regeneration of Fiat's car ranges, which underpin the current improvement in the group's fortunes.

Mr Cantarella has won widespread praise for several new models since his appointment by Mr Garuzzo in 1991.

A contrary view is that Mr Cantarella plans to retain a close watch over the cars division by appointing as its new managing director a relative outsider, Mr Roberto Testore, head of Fiat's Comau automation subsidiary. Mr Testore's appointment will be confirmed in Fiat's annual letter to shareholders today.

Digital to quit home computer market

By Louise Kehoe in San Francisco

Digital Equipment, the US computer group, is to stop selling home computers to refocus the retail side of its PC activities on business users. The move comes amid intense price competition and falling profit margins in the consumer end of the PC market.

Digital's PC business has grown rapidly since it launched new products and renewed marketing efforts in 1994. Analysts estimate its global PC sales in its second quarter to December at about $880m. Sales rose 40 per cent and the unit broke even for the first time, the company said.

Sales of Digital's Starion home computer products, offered only in the US, accounted for less than 10 per cent of its PC sales last quarter, said Mr Bruce Claflin, general manager of the PC unit. The company would phase out this product line.

Digital planned to expand the availability of its business-oriented desktop and notebook computers through retail channels to reach home office and small business customers, he said.

Former vice-chairman plans to start low-fare services across US this summer

Pan Am poised to make a return

By Richard Tomkins in New York

A former US airline executive will attempt to resurrect one of the world's most famous brand names this year by relaunching Pan Am, the US airline that collapsed in 1991 after years of heavy losses.

The new Pan American World Airways will try to establish a niche for itself in the highly competitive US air travel market by offering low-fare, non-stop services between the east and west coasts of the US.

The company aims to start flying from New York to Chicago, Los Angeles and San Francisco this summer with three Airbus A-300 wide-bodied jets. It expects to have eight A-300s in use by the end of its first full year, all of them leased.

Pan Am says its fares will be about half those charged by the big carriers because it will have the lowest operating costs of any airline in the world.

Martin Shugrue: 'best, most well-known name in the history of commercial aviation'

The company will contract out all support services such as maintenance and catering, so avoiding the cost of owning extensive infrastructure.

The president and chief executive of the new company is Mr Martin Shugrue, an airline executive who served with the old Pan Am between 1968 and 1988, eventually becoming vice-chairman. His partner is Mr Charles Cobb, a property developer who bought Pan Am's name, logo and trademarks from the liquidators for $1.3m in 1993.

The two men plan to form the new company by merging it with a Frost Hanna Mergers, a Florida-based company quoted on the National Association of Securities Dealers Automated Quotation system (Nasdaq).

They said Frost Hanna had available cash of $10m and other private investors had committed $20m.

Frost Hanna's shares shot up $2¾ to $8¾ in early trading yesterday, a rise of 53 per cent.

Mr Shugrue, who last year stepped back from plans to resurrect the defunct Eastern Air Lines, said he had chosen to press ahead with a Pan Am revival because it was "the best, most well-known name in the history of commercial aviation".

He acknowledged that the big carriers would fight back against the new airline with lower fares, but he said Pan Am needed to garner only a small percentage of the market to produce profitable load factors. In addition, he said, the lower fares would create additional demand.

Pan Am also expects to earn some of its revenues by forming links with small to medium size international carriers, which at present lack alliances with other US carriers. These international airlines will carry passengers to and from the US "gateway" airports, where they will transfer to or from Pan Am's domestic flights.

Mr Shugrue said Pan Am would consider international expansion "as we move into the future".

Barry Riley

UK pension fund managers feel the Wall Street lash

It is the annual time of reckoning for UK pension fund managers. They know their clients will be pleased with an average rate of return of close to 20 per cent for 1995. But there is the usual spread of triumph and gloom for individual managers.

And should not the average manager have performed even better? After all, despite a passable showing in UK equities, just about all the managers have stumbled badly in global equities. The serious underweighting of Wall Street, where the market return in sterling terms was 38.4 per cent (though UK pension fund managers only achieved 34.9 per cent) has been very costly.

In fact, British funds were net sellers of US equities all year, and preliminary returns from Caps, one of the two performance measurement agencies, indicate a year-end exposure of just 3 per cent of total portfolios (the rival WM says 3.4 per cent). In proportion to Wall Street's capitalisation, a full weighting would have been 10 per cent.

That startling underexposure cost 5 percentage points of return on overseas equities in 1995, and cut more than 1 per cent off total portfolio returns. So the index fund marketing men have been presented with the simplest of sales opportunities.

In terms of individual managers, the notable event of 1995 was the fall from grace of PDFM, the second-biggest firm after Mercury Asset Management. At the end of 1994, PDFM, a UBS subsidiary, had been flying high, being the best manager over five years and having beaten the median by more than 4 percentage points over one year.

In 1995, however, PDFM appears to have *under*performed the median by at least as big a margin. It was underweight in equities and overweight in unexciting index-linked gilts. Moreover, its value-oriented style in equities went badly adrift as the markets chased growth stocks and takeover speculations.

Once in every cycle value is bound to have a bad year as investors fear an earnings slowdown and shift towards growth stocks, but the last nine months of 1995 saw an exceptional degree of underperformance in value stocks. Still, PDFM's long-term results remain good.

The more opportunistic MAM seems to have found conditions much more to its liking recently. However, it runs several different styles and its funds' performances have, as usual, varied quite widely.

Under-exposure cost 5 percentage points of return on overseas equities

Across the industry as a whole, returns are said to have varied between 25 and 14 per cent. Some say this relatively wide range is a sign that managers are moving away from the median-hugging styles to which most of them have become attached since the 1987 stock market crash. But PDFM has pointed up the risks, as well as the rewards, of being a non-consensus manager.

Although the selection of equity markets and styles was critical last year, the choice between equity and bond exposure, oddly enough, was not. The FT/S&P Actuaries World Index returned 20.5 per cent in sterling but the J. P. Morgan Global Government Bond Index managed 20.1 per cent in the same currency (19.3 per cent in dollars).

Consultants Frank Russell's universe of global bond managers (usually acting for US clients) appears to have clawed its way back in the second half of 1995 from a poor patch, probably aided by the recovery of the dollar against the yen. At any rate, the median manager outperformed the JPM Global Index in the final quarter and achieved a return of 19.5 per cent in dollars for the year.

The traditionally bond-hating UK pension fund managers are also increasingly attracted by global fixed income and, according to Caps, had an extraordinary 9.1 per cent exposure to this asset class by the end of 1995, although this may be a distortion caused by an as yet incomplete (42 per cent) sample.

It is interesting that both Caps and WM are showing that UK pension funds now have a total exposure to bonds (overseas, UK and index-linked) of about 16 per cent, the highest for 10 years. That is, arguably, an inevitable consequence of the torrent of government bond issues – heading, according to J. P. Morgan, for yet another record in 1996 of more than $1,500bn gross ($550bn net) from the 13 OECD countries in the global index.

EUROPEAN NEWS DIGEST

DSM 'on target' to meet expectations

DSM, the Dutch chemicals group, said provisional figures for 1995 showed that net profits before extraordinary items were approximately double the Fl 527m ($317m) reported in 1994. The preliminary figures, if confirmed by definitive figures due to be released on February 29, would meet the company's full-year forecast published in October.

On October 31, DSM reported a doubling of third-quarter results and predicted that 1995 results would show the same rate of increase. The company, which gave no specific figure for 1995 results, has benefited from price increases in a number of product groups, though it warned late last year that it was seeing larger-than-expected price decreases in some plastics. *Ronald van de Krol, Amsterdam*

Acquisition helps BCP advance

Banco Comercial Português, Portugal's second-largest financial group, yesterday reported a 8.4 per cent increase in net consolidated profit in 1995 to Es20.3bn ($131m) from Es18.7bn in 1994. The results are not directly comparable because of BCP's Es308bn acquisition of Banco Português do Atlântico last March. Mr Jorge Jardim Gonçalves, BCP chairman, said the bank planned to raise its capital to Es180bn from Es109.7bn this year. It aims to raise Es27bn through a domestic rights issue and $250m through a placement of preferential bonds, possibly in New York.

Lisbon analysts said the planned capital increase, following a $500m preferential bond issue last September, reflected the financial strain involved in acquiring BPA and merging the two banks' operations. "The quality of BCP's earnings has clearly depreciated following the acquisition of BPA," said one Lisbon broker. "It is only in 1997 that the group is likely to begin benefiting from the increased earnings potential of the purchase." *Peter Wise, Lisbon*

Boehler-Uddeholm up sharply

Boehler-Uddeholm, the Austrian speciality steel maker, yesterday reported a fourfold increase in net income from Sch227m in 1994 to an estimated Sch1bn ($95.7m) last year. Operating profit climbed from Sch500m to about Sch1.2bn, while sales increased 14 per cent to more than Sch18bn. Mr Claus Raidl, chairman, said his company benefited from higher prices and strong demand for high-quality steel products.

After going public in an initial stock offering last year, Boehler-Uddeholm promised to pay an annual dividend of Sch20 a share. The state-controlled group was forced to reduce its IPO in April 1995 because of a weak stock market, but is planning a secondary offering in the first half of this year. The further privatisation is poised to cut the stake of the state holding company OIAG from 72 per cent to less then 50 per cent, but OIAG wants to keep a 25 per cent minority interest. *Eric Frey, Vienna*

Cariplo foundation chief quits

Mr Roberto Mazzotta has resigned as chairman of the charitable foundation which controls Cariplo, Italy's biggest savings bank, following the four-year prison sentence given him by a Milan court last month. His decision, announced on Monday night, will enable the appointment of a new chairman to carry out the foundation's plan to shed majority control of Cariplo. Mr Mazzotta voluntarily stepped aside from his post when court proceedings started two years ago into bribes involving Cariplo's pension fund. He maintains he is innocent but said he recognised the foundation could not proceed with Cariplo's flotation without a chairman. *John Simkins, Milan*

Paribas shares shrug off loss

Banque Paribas yesterday blamed improper accounting for a hidden loss of about FFr250m ($48.9m) in the accounts of its Spanish unit in Madrid. The losses related to positions taken on Spanish public debt, and would be taken in the 1995 accounts. Two operators were allegedly responsible for the loss, the bank added. Despite the revelations, Paribas shares, which had opened lower, followed the market to close up FFr4.50 at FFr284.8. *Reuter, Paris*

Stet seeks capital increase

Stet International, the vehicle for the Italian state holding group's investments in telecom operators, is to ask shareholders next month to approve a capital increase of L1,033bn ($645m). The company, controlled by Stet and Telecom Italia, has pursued a policy of strong growth overseas which includes an accord this month to take a 16 per cent stake in Entel Chile. *John Simkins*

Philip Morris in $227m Polish move

By Christopher Bobinski in Warsaw

Poland's privatisation programme took an important step forward yesterday when Philip Morris of the US agreed to pay the country's treasury $227m for a controlling stake in ZPT Krakow, the country's largest tobacco plant which controls more than one-third of the domestic market.

The ZPT Krakow sale is expected to be followed by a second deal tomorrow, when Reemstma of Germany buys the Poznan tobacco company, which produces and sells one-quarter of the 96bn cigarettes consumed in Poland each year. Reemstma is reported to have agreed to build a new plant in Poznan in a deal which should be worth more than $200m in investment commitments, including the price paid for the equity in the plant.

The speed with which the final talks between the treasury and Philip Morris have been concluded appears to reflect fears on both sides that cabinet changes – after the appointment of a successor to Mr Jozef Oleksy, who resigned as prime minister last week – would further delay sales in the sector.

Late last year, Mr Wieslaw Kaczmarek, the privatisation minister, signalled that offers then received from Philip Morris and Reemstma were too low and that some time would have to pass before a deal could be struck.

The disposal of the tobacco sector, which was first proposed in 1991, has been one of the most controversial privatisation issues faced by successive Polish governments. It was initially resisted by the Polish Peasant Party (PSL), currently the junior partner in the ruling coalition, which sought to transform the sector into a state monopoly.

The PSL now stands a chance of strengthening its hand in the forthcoming cabinet reshuffle which could have led to further obstruction.

Philip Morris has produced its Marlboro brand at Krakow since 1973 under a licensing agreement, and has been seeking to buy the plant since 1991.

It has agreed to invest a further $145m in the plant over three years, making the deal the largest capital transaction by a foreign investor in Poland since 1989.

The company will initially have 33 per cent of ZPT Krakow's equity and will take control of a further 32 per cent when the investment programme is completed.

Philip Morris has to date invested $1bn in the former communist world and controls production facilities in the Czech Republic, Kazakhstan, Hungary, Lithuania, Ukraine and Russia.

Provisions send Bouygues into the red

By Paul Abrahams in Paris

Bouygues yesterday revealed big provisions for its industrial holding, telecoms and property businesses, forcing the French conglomerate into losses of about FFr4bn ($783m) for 1995.

Without the FFr4.4bn of exceptional items, the group would have reported net earnings of about FFr400m, compared with analysts' expectations last autumn of about FFr600m. The company said 1996 earnings would equal those in 1994, at about FFr573m.

Mr Martin Bouygues, chairman, also announced the group would sell about FFr3bn of non-strategic assets within the next 18 months.

Despite the 1995 loss, the board intended to maintain the dividend at 1994's FFr25 a share. It would be paid from reserves. Bouygues' shares were suspended yesterday pending the announcement and did not begin trading before the close.

The property provisions, at FFr2.1bn, are the latest of a series of exceptional items announced by French companies exposed to the sector.

Mr Bouygues blamed a deterioration in the market during the second half of 1995. He said he hoped there would be no further decline, but could he could not guarantee an improvement.

The property business would achieve sales of FFr4.1bn this year compared with FFr4.4bn in 1995, and should make a profit in 1996, he added.

Bouygues also made provisions of FFr1.1bn for its holdings in financial and industrial groups which had suffered from the worsening economic environment.

The telecoms provisions of FFr1.2bn would cover start-up costs for its paging operations and Bouygues Telecom, the French PCN mobile telephone business in which Bouygues holds 51 per cent.

Until 1999, when they would become profitable, the telecoms businesses would make cumulative losses of about FFr2.6bn, Mr Bouygues said.

Other shareholders in Bouygues Telecom include Cable & Wireless of the UK; Veba of Germany; US West; BNP, the French bank; and Compagnie Financière de Paribas. Telecoms sales should reach FFr150m this year.

Group turnover in 1995 increased 2 per cent to FFr31.3bn, boosted by acquisitions. Excluding the acquisitions, sales were stagnant. Sales at TF1, the quoted television group controlled by Bouygues, increased from FFr8.4bn to FFr9.1bn last year, and should reach FFr9.5bn next year.

Mr Bouygues refused to comment about corruption inquiries which have led to a number of senior company executives, including the chairman, being placed under formal investigation by magistrates.

Thyssen poised for disposals after setback in all activities

By Michael Lindemann in Düsseldorf

Thyssen, one of Germany's biggest industrial groups, yesterday warned that all three of its divisions had reported first-quarter profits below expectations and signalled it was likely to sell businesses worth about DM1bn ($673m) in sales terms as part of further restructuring.

Mr Heinz Kriwet, the chief executive who hands over to Mr Dieter Vogel in March, warned that the business climate in Germany was deteriorating rapidly and that Thyssen was especially susceptible to an economic slowdown because so much of its business, centred mostly on steel, is short-term.

"It would be wrong and irresponsible to talk of a recession," Mr Kriwet said, "but we have taken a step closer to such a risk."

The Düsseldorf-based group said it would ask shareholders to approve a DM500m increase in its authorised capital at the annual general meeting in March, but said it had no plans to spend the money on any acquisitions. The increase was last requested in 1991 and needs to be extended before the five years are up, the company said.

All three of Thyssen's divisions – trading and services, steel and engineering – reported unspecified net profits for the quarter ending December 31, Mr Kriwet said, but new orders for the quarter fell to DM3.04bn, 10 per cent lower than the same period a year earlier.

Sales in the three months rose 7 per cent to DM3.07bn.

While Mr Kriwet would not specify what businesses might be sold or brought into joint ventures with other companies, he said that further changes were necessary to make the group more resilient to the heavy losses it sustained during the recent downturn in steel and to improve shareholder value.

"The structure of the group at the moment is not the way the management board would like to see it," Mr Kriwet said.

Thyssen Stahl, the steel division, has already said it is working on further co-operation agreements with other manufacturers, especially for its long products.

Despite a range of sobering predictions about the prospects for business this year, Mr Kriwet said there were "firm expectations" that Thyssen would pay a DM10 dividend for the financial year ending September 30, the same amount as this year.

Thyssen plans to shed 2,484 jobs by the end of this year, bringing its worldwide workforce to 122,822.

However, Mr Dieter Hennig, the personnel director, warned that Thyssen might well be forced to make further personnel cuts if the business climate deteriorated during the year.

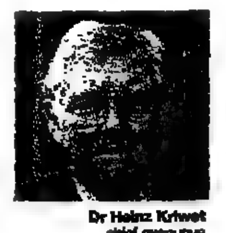
Mr Heinz-Gerd Stein, chief financial officer, also implied that the company would continue to move jobs to cheaper production sites abroad.

Following the fall of the dollar and the wage round which raised personnel costs by about 10 per cent last year, a Thyssen worker in Germany now costs DM12,100 more than abroad. A year earlier the difference amounted to DM1,400.

COMPANY PROFILE:

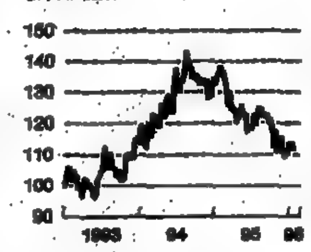
Thyssen

Market capitalisation	$8.07bn
Main listing	Frankfurt
Historic P/E	132.8
Earnings per share (DVFA)1995	24
Current share price	DM 288.0

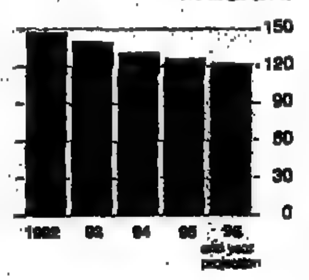


Dr Heinz Kriwet chief executive

Share price relative to the DAX Index



Employees Average ('000)



Source: FT Extel, company accounts

OMV profit more than doubled to Sch2bn

By Eric Frey in Vienna

OMV, the Austrian oil, gas and chemicals group, yesterday continued an impressive turnround by announcing pre-tax profit more than doubled from Sch840m in 1994 to a record Sch2bn ($191m) last year, achieved through drastic cost-cutting and higher prices for some plastics lines.

The group, which was in the red in 1992 and 1993 because of heavy losses from its chemicals unit, said it would lift its 1995 dividend from Sch10 to Sch20 a share. However, earnings growth slowed in the fourth quarter because of charges related to the sale of its Chemie Linz subsidiary.

After the results yesterday, Mr Richard Schenz, OMV chairman, predicted slightly lower earnings, "but still a respectable result" for 1996.

OMV had come out of the biggest crisis in its history through a sharp reduction in personnel and capital outlays, he said. It had cut staff and overtime and also reduced its oil and gas exploration budget. This helped cut losses in the exploration and development sector.

"Without rationalisation, we would have suffered a loss of Sch3.8bn last year," Mr Schenz said. Through further cost-cutting, OMV should be able to lift the dividend to Sch30 in the medium term, he added.

Oil and gas production is set to rise to 4m metric tonnes from the current 3m as OMV plans to invest Sch6bn in exploration in the next three years, while plastics and chemicals remain the weak spot in its balance sheet. Prices for fertilisers, monomers and polyolefins were on average up last year, but a drop in polyolefin prices in the fourth quarter dampened earnings growth in that division.

Two weeks ago, OMV and Repsol of Spain cancelled a planned joint venture in polyolefins because of unspecified "strategic differences". But OMV said yesterday it was still considering co-operation with Repsol in other lines.

Mr Schenz pinpointed neighbouring countries, including the Czech Republic, Slovakia, Hungary, Slovenia and Italy, as key areas for future expansion.

OMV is planning several joint ventures and acquisitions in the natural gas business and wants to boost its market share in petrol sales at its own-brand stations. This should help it improve capacity utilisation at its large oil refinery in Schwechat near Vienna.

The group is also engaged in several pipeline projects in Hungary, Slovenia and Italy and is planning to increase its gas storage facilities in Central Europe.

In Austria, the group's aim is to keep its market share in petrol sales of 23 per cent, despite closing down a fifth of its petrol stations over the next five years.

KLM third term lifted by stake in Northwest

By Ronald van de Krol in Amsterdam

KLM Royal Dutch Airlines' ownership of preferred shares in Northwest, the US airline, allowed the Dutch carrier to shrug off a 71 per cent decline in operating profit and report a 28 per cent increase in net profits for the third quarter of 1995-96.

Lower taxes and a decline in financial expenses also contributed to the rise in KLM's bottom line in the quarter, which ended on December 31.

The increase in net profits, from Fl 83m ($49.85m) to Fl 102m, was in line with analysts' forecasts, but there was some surprise that the airline's operating profit dropped from Fl 193m to Fl 56m.

Its shares closed down 6.5 per cent at Fl 50.40, on a generally lower Amsterdam stock exchange.

KLM clearly benefited from Northwest's record profits in 1995, as this enabled it to step up the revaluation of the preference shares it owns in its US partner airline.

"This development warrants a more rapid scale-back of provisions previously taken against KLM's investment in Northwest Airlines' preferred shares," KLM said.

Income from Northwest shot up to Fl 89m from zero a year earlier, of which Fl 50m represents the effect of the revaluation. KLM does not yet take a share of Northwest's net profits on to its own books because the US airline still has negative shareholder equity.

KLM, which has a 25 per cent equity stake in Northwest and voting rights of almost 19 per cent, is embroiled in a law suit with fellow Northwest shareholders over a "poison pill" aimed at limiting the Dutch company's ability to lift its voting stake.

The Dutch carrier yesterday forecast a 10 per cent increase in earnings per share for the full-year. Previously, KLM had said only that 1995-96 net profits would be "slightly" higher than a year earlier.

"In spite of the pressure on operating income, we foresee a significant improvement in net income in the fourth quarter, as a result of higher income from associated companies and lower income taxes," it said.

In the third quarter, revenue rose by 4 per cent to Fl 2.35bn but this was easily outstripped by an 11 per cent increase in expenses to nearly Fl 2.3bn. Salaries and employee benefits rose by 14 per cent, reflecting in part the resumption of pension contributions by KLM after a premium "holiday" ended in late December 1994.

KLM said it posted 10 per cent traffic growth in the third quarter, which it described as being above the market average. But capacity increased faster, expanding 15 per cent.

Hoping to have won a stay of execution

Andrew Jack looks at the factors behind the difficulties at Crédit Foncier de France

The historic façade of the headquarters of Crédit Foncier de France in central Paris conceals wide cracks forming deep inside the institution which threaten its very survival.

In the past 12 months, the group, which specialises in domestic property loans, has seen its share price fall by more than two-thirds, while the cost of its borrowing has jumped as credit rating agencies have downgraded their assessments.

As the crisis reached a peak last week, unions placed a half-page advertisement in the French newspaper Le Monde pleading their case, and locked directors into their offices late on Friday in an attempt to win greater negotiating powers before an expected restructuring which could lead to heavy job cuts.

With cash reserves depleting fast, the directors managed on Thursday to secure a new line of credit – at competitive interests rates – of up to FFr25bn from the state-backed Caisse des Dépôts et des Consignations, secured against its loan portfolio.

What has brought the institution to this? Like many other French businesses, Crédit Foncier has been hit by the property market crisis, which has forced banks, insurers and conglomerates alike to announce huge write-downs.

It has also found itself exposed to an intensely competitive environment, as banks offer low interest rates in an effort to gain business. Yet, unlike most of its rivals, it offers nothing but property loans, which has magnified its problems considerably.

The most significant factor behind the current crisis was a decision taken by the new French government last September. Mr Pierre-André Périssol, the minister of housing, announced the abolition of the PAP, the Prêt de l'Accession Sociale, a subsidised loan programme to encourage those on low incomes to buy their houses and of which Crédit Foncier was one of only two providers.

In its place, the government launched a package of zero-interest loans up to a limited threshold for new home buyers, which would be available through any French bank and would be topped up with their own loans at commercial rates.

> **The directors now appear to accept that the institution is almost certain to be unable to carry on in its current form. At the very least, they are seeking a single large shareholder to provide significant new capital**

Crédit Foncier's raison d'être was removed in the process.

The directors of Crédit Foncier thought they had found a solution late last autumn, when they proposed a merger between the parent company and Société des Immeubles de France, a 55 per cent-controlled subsidiary, which would have recapitalised it with an additional FFr1bn ($196m).

Yet the stock market authorities blocked the deal at the end of November, arguing that shareholders in the subsidiary should have the right to a cash exit and not simply to shares in the bank – a solution the directors could not afford.

They have also been trying to readjust in other ways. The bank has won the right to pay a commission to the French Post Office for every client referred to it for the government's zero-rate loan – which has enabled it to capture some 20 per cent of the market so far.

It is also to take on a new role advising the government and funding the conversion of vacant offices into housing.

The directors are now discussing plans to reduce costs by between 30 per cent and 40 per cent over the next three years, with a similar cut in the payroll – which triggered the current industrial unrest.

However, such actions are marginal. The directors now appear to accept that the institution is almost certain to be unable to carry on in its current form.

At the very least, they are seeking a single large shareholder to provide significant new capital. The institution may well even be taken over entirely. "It will either disappear or be acquired," says one analyst.

Some rating agencies and other analysts now believe the mood has become too pessimistic, however. First, while no new PAPs will be issued, the existing ones will expire over several years, providing time to find new types of business. Second, the underlying assets of the bank look relatively strong and there are government guarantees beneath them that suggest bondholders are in a strong position.

Nevertheless, substantial new provisions against its loan book are expected when Crédit Foncier publishes its full-year 1995 results at the start of April.

Meanwhile, attempts at restructuring are proving difficult, partly because of its peculiar legal status. While it is a publicly-quoted company with no direct shareholding by the French state, the government appoints the chairman – called the governor – and his two deputies, a legacy of the state's dominant role in its operations since the 1950s, when PAPs were introduced.

The result is an institution which, according to some critics, has a rigid organisational structure and a protected staff with little commercial judgment. "It has the spirit of the civil service," says one outsider who knows it well.

It is also one that has long lacked transparency, and hence generated suspicion on the part of outsiders. It was only last year that the governor held a presentation for analysts for the first time, for example.

If investors are to take the bank seriously, they will expect a change in its legal statutes to ensure that the executives are directly accountable to shareholders rather than to the state.

The current board must hope in the meantime that they have created enough breathing space to find a longer-term solution.

INTERNATIONAL COMPANIES AND FINANCE

RJR Nabisco held back by restructuring charge

By Richard Tomkins in New York

RJR Nabisco, the US tobacco and food group under pressure to spin off its food business, yesterday marked the end of a poor year for profits growth by reporting fourth-quarter net earnings of just $33m, only slightly ahead of the comparable period's $29m.

The company said that if restructuring charges and extraordinary items were excluded, net income would have shown a 1 per cent increase to $207m, or 60 cents a share. This was in line with analysts' expectations, following the company's earlier warning of a profits shortfall.

For the full year, net income rose from $388m to $501m. The company said that after excluding one-time expenses and extraordinary items in 1994 and 1995, net income rose 6 per cent to $857m.

One of the main reasons for the poor fourth-quarter performance was an $87m pre-tax charge for the restructuring and relocation of RJR Nabisco's international tobacco operations.

Mr Steven Goldstone, who took over as chief executive in December, said that if one-time charges were set aside, a decline of 4 per cent in operating profits over the previous three quarters had turned into a gain of 7 per cent in the fourth quarter.

"That is the result of a marked rebound in sales, volume and profit at the international and domestic tobacco businesses, which we expect to carry us into 1996 with significant momentum," Mr Goldstone said.

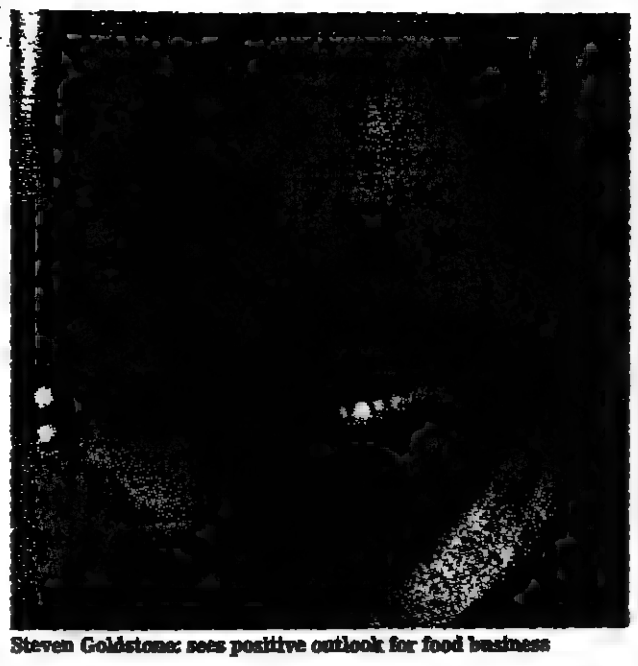
Mr Goldstone also saw a positive outlook for the Nabisco food business, which is 80 per cent controlled by RJR Nabisco and which reported separately a day earlier.

After investing in new products and enduring some short-term market disruptions, the company had entered the current year "well positioned for earnings growth", he said.

Excluding one-time expenses, RJR Nabisco's tobacco operations increased fourth-quarter operating profits 3 per cent to $505m. The international contribution rose 5 per cent to $207m, and the domestic contribution, 1 per cent to $298m.

The company said it had ended 1995 with a slightly higher share of the domestic cigarette market than a year earlier. This was attributed to a 10 per cent increase in sales volume for Camel, the fastest-growing full-price domestic brand in the US last year.

In international markets, the former Soviet Union posted strong results in the second half and was carrying "significant momentum" into the current year.



Steven Goldstone: sees positive outlook for food business

GM back to strength with 40% rise for year

By Richard Waters in New York

General Motors fared better than expected in the difficult automotive markets of Europe and North America in the last three months of 1995, capping a year in which it finally eliminated its large US pension fund deficit and restored its balance sheet to financial health.

The world's biggest automotive maker was able to lift its net income last year by 40 per cent, to $6.9bn. This is likely to give GM the biggest profit of any US company for 1995, topping even General Electric's $6.6bn. It comes just four years after the group was brought to the edge of financial collapse by its chronic lack of competitiveness in North America.

The recuperation of GM's North American operations was the biggest factor behind last year's earnings rebound. Pre-tax income more than doubled, to $3.8bn, as GM cut costs against the background of a 5 per cent rise in sales, to $103bn.

Mr Michael Losh, chief financial officer, said the company expected further cost-cutting and efficiency gains this year to push it towards its target pre-tax profit margin of 5 per cent.

In the final quarter of last year, pre-tax earnings slipped 14 per cent to $760m, reflecting the tough North American car market and the group's relatively low level of higher-margin light trucks. However, incentives paid per vehicle continued to decline, falling to $633 from $671 in the previous quarter.

Outside the US, meanwhile, GM's pre-tax profits fell by 28 per cent to $1.6bn for the year as it faced unfavourable foreign exchange movements, the costs of launching the new Opel Vectra in Europe and higher material and labour expenses in Latin America. In the final quarter, pre-tax income fell to $110m, from $561m a year before.

● Vauxhall Motors, General Motors' UK subsidiary, yesterday blamed fierce competition in a stagnant UK market for a sharp fall in pre-tax profits to £3m ($4.62m) last year, compared with £79m in 1994, writes John Griffiths in London.

Sterling's weakness against the D-Mark, industrial action in the final quarter, and costs associated with the new Vectra model compounded Vauxhall's problems, said Mr Charles Golden, chairman and managing director.

Vauxhall's total wholesale sales of cars and light commercial vehicles fell 1.5 per cent to 430,727. Its UK registrations, at 294,131, were 5.3 per cent below the 1994 level.

Standard Chartered sells troubled broking arm

By Louise Lucas in Hong Kong and Ted Bardacke in Bangkok

Standard Chartered, the London-based international bank, is to sell its loss-making and Asian-dominated stockbroking arm, Standard Chartered Securities, to a leading Thai finance company, Nava Finance & Securities, and its parent, Thai Military Bank.

The price was not disclosed, but Standard Chartered said yesterday in Hong Kong it was based on "a modest discount" to the net asset value of the stockbroking activities.

London brokers estimate the operation had trading losses of around £10m ($6.6m) last year, and said the price would probably be less than £5m. This, however, was substantially more favourable for Standard Chartered than incurring the costs of closing the business.

At the same time, Fleet Financial, the fast-growing US regional bank, announced it had reached an agreement for Standard Chartered to provide trade finance services to its customers in the Asia-Pacific region.

Standard Chartered and Nava have been negotiating for nearly a year. At one point, Nava pulled out of the bidding, complaining that Standard Chartered was offering different terms to different suitors. Other bidders included Prudential Bache of the US and Nithipat Capital, another Thai finance company.

Nava will acquire "substantially all" of the stockbroking activities carried out by Standard Chartered Securities, which employs around 250 and is strongest in Hong Kong and China.

The operation has had a chequered history, last reporting a profit in 1993. It has since closed down its private client business (although wealthy individuals were understood to have remained clients), cut staff and had a number of run-ins with the regulators.

Its initial public offering business ran aground in June 1994 when the Securities and Futures Commission, the regulatory body in Hong Kong, unearthed trading offences. Standard Chartered Securities was banned from involvement in IPOs until the following April, by which time the markets knew of the decision to sell up.

Nava is Thailand's 10th largest finance company in terms of assets and its fourth largest in terms of brokerage market share. It recently renewed an agreement with UK-based brokerage house W.I. Carr to provide securities trading in Thailand. Nava stressed this relationship would not be affected by the Standard Chartered purchase.

Apple share price slides as takeover hopes fade

By Louise Kehoe in San Francisco

Apple Computer's shares fell sharply yesterday as investors' hopes of an imminent takeover bid for the struggling personal computer company faded.

Widely-rumoured talks between Apple and Sun Microsystems, the leading computer workstation manufacturer, are believed to have ended without agreement. Sun is said to have proposed a stock-swap offer for Apple worth about $23 a share.

Yesterday, Apple's shares were trading at $27½ in mid-session, down almost 6 per cent from Monday's close of $29⅛. Sun's share price rose to $45¾ from $44¼.

As Apple's share price continued to decline, there was industry speculation that other bidders for the company would soon emerge.

Among the names mentioned was Mr Larry Ellison, the billionaire chairman of Oracle, the database software group. Mr Ellison has acknowledged that he attempted to put together a plan to acquire Apple last year. He is believed to have been interested in spinning off the company's hardware manufacturing operations while retaining its software development business.

IBM offered Apple $40 a share last year, according to former IBM and Apple executives, who said the computer industry leader might renew its interest at a lower price. Motorola, Hewlett-Packard and Sony of Japan are also mentioned as possible buyers.

Apple's problems have prompted Standard & Poor's to lower its rating on $300m of the company's debt to junk bond status. Citing Apple's recent losses and management turmoil, the rating agency said it would review the rating if Apple were acquired by a "stronger entity".

Apple also attempted yesterday to dispel reports that it had placed a halt on new R&D spending. "There is no freeze. We are reviewing our business model and rationalising our product portfolio. In these circumstances new spending must be reviewed," it said.

NEWS DIGEST

Barrick steps up global campaign

Barrick Gold, the biggest gold producer outside South Africa, has capped its 10th consecutive year of output and earnings growth with plans for a new mine on Chile's El Indio gold belt. The Toronto-based company signalled plans to become more aggressive in challenging South Africa's mining houses in the international gold industry.

Mr Peter Munk, chairman and controlling shareholder, said yesterday that Barrick aimed to become as dominant globally as it was in North America.

Net earnings rose to US$292.3m, or 82 cents a share, last year from $250.5m, or 80 cents, in 1994. Revenues climbed to $1.28bn from $936m. Average operating costs grew to $183 an ounce from $167. Gold output totalled 3.14m oz, up from 2.83m oz. Almost two-thirds of production came from the flagship Goldstrike property in Nevada.

Barrick's recent success is partly attributed to an active hedging strategy, allowing it to obtain gold prices well above the prevailing market. Last year's sales were concluded at an average price of $406 an ounce, compared with the market average of $384. But the recent spurt in bullion has led the company to reduce hedged positions from three years' output to less than two years' output. *Bernard Simon, Montreal*

Twist to Mattel, Hasbro battle

US toy-maker Mattel's highly-public pursuit of rival Hasbro took a new turn yesterday, when regional legal authorities started investigating the antitrust implications of the proposed $5.2bn share offer. As Mattel published a further appeal for a negotiated settlement, Hasbro advisers distributed copies of requests for detailed information sent to both companies by Mr Richard Blumenthal, attorney-general for Connecticut.

Although there has not yet been an official bid, and federal cartel officials have no formal case to investigate, the move marks the first apparent success in Hasbro's attempts to arouse the competition authorities' interest in Mattel's unwelcome approach. "I have followed with great interest, and I must say great concern, the possibility that Mattel and Hasbro might be combined," Mr Blumenthal wrote. "The merger of the country's two largest toy manufacturers raises serious antitrust questions."

Estimates of the impact on market share caused by a possible merger of the world's two largest toy makers have been made difficult by the inclusion of electronic and other innovative products in the overall market for toys. However, there is no dispute that a combined group would be the biggest operator in the $17bn US market, as well as in the European Union and Canada.

The release of Mr Blumenthal's letters coincided with a renewed public appeal from Mr John Amerman, Mattel chairman and chief executive, for Hasbro to restart talks and "finalise the transaction so that your shareholders can receive a premium of over $2.2bn". *Christopher Parkes, Los Angeles*

Start date for 24-hour Fox News

Mr Rupert Murdoch, chairman and chief executive of News Corporation, the international media group, said yesterday he aimed to launch the Fox 24-hour all-news network by the end of this year. He was announcing the appointment of Mr Roger Ailes, former head of CNBC, NBC's business news channel, to head the network.

The new network, first announced in late November, is aimed to compete with Cable News Network, Mr Ted Turner's news channel. Rival networks ABC and NBC, in partnership with Microsoft, have also announced plans for 24-hour news channels.

Mr Murdoch said yesterday that the Fox network would include interactivity, allowing viewers to call up stories on-line to find more details. He said that the more than $30m a year cost of running Fox News at the moment would rise by about $50m a year. He expected "significant revenues" from the network.

Mr Murdoch said that adding to Sky News in Europe and Star TV in Asia, and developments in South America, News Corp's television news channels would soon cover more than two-thirds of the world.

Observer, Page 13 *Maggie Urry, New York*

MCI raises earnings 17%

MCI, the US long-distance telephone company, raised earnings by 17 per cent to $284m in the fourth quarter on sales 22 per cent ahead. MCI said it aimed at double-digit increases in sales and earnings in 1996 and 1997. For the first time, the company split results from its long-distance phone network from its other ventures, including Concert, its joint venture with BT. Long-distance earnings were up 37 per cent for the quarter at $344m, and by 36 per cent to $1.2bn for the year.

Among other ventures, MCI classed last year's $1bn investment in News Corp and $1.1bn purchase of SHL Systemhouse. Revenue for the year was $365m, up from $68m, while there was a net loss of $125m and a cash outflow of $46m. Concert had revenue of $238m in the year and $76m in the final quarter. *Tony Jackson, New York*

Eli Lilly ahead in first term

An unexpectedly low tax charge lifted Eli Lilly's net income by 18 per cent during the final three months of last year, as sales grew 16 per cent to $1.8bn. The US drugs company, which reported earnings of $343m, or 63 cents a share (57 cents before profits from discontinued operations), said it believed the lower tax rate was sustainable "near-term". The rate for the year was 26 per cent, against an expected 29 per cent, because of higher earnings in low-tax countries and the effectiveness of tax-planning.

At the pre-tax level, profits fell 4 per cent to $364m on continuing operations, reflecting the acquisition of PCS, the pharmacy benefit manager, as well as a surcharge imposed by the French government and expected litigation costs. Sales of Prozac, the anti-depressant, rose 24 per cent to over $2bn during the year, while sales of Ceclor slipped 11 per cent to $722m as the drug's US patent expired. Full-year net income rose 78 per cent to $2.29bn, including discontinued operations, or a rise of 10 per cent to $1.3bn without them. 1995 earnings reached $4.03 a share, or $2.30 excluding the discontinued businesses. *Richard Waters, New York*

Bonus issue from Advance Bank

Advance Bank, the Australian regional bank, has lifted its dividend and declared a bonus issue after a strong earnings performance in the six months to November. The bank, which last year bought the Bank of South Australia (now BankSA) from the state government, yesterday announced a 38.5 per cent rise in net profit lift from A$57.8m a year ago to A$80.1m (US$59.27m). The interim dividend is being raised from 33 cents to 35 cents a share and directors have declared a one-for-one bonus issue. They said the result included five months of trading from BankSA.

The result followed an increase in the charge for bad and doubtful debts from A$2.3m to A$7.7m and a tax provision of A$46.7m, up from A$31.4m. Total assets jumped 72.4 per cent from A$11.8bn to A$20.3bn. *Bruce Jacques, Sydney*

Banque Audi advances

Lebanon's Banque Audi, which became the first Arab bank to issue Global Depository Receipts last November, posted L£20.1bn ($12m) net profits in 1995, up nearly 60 per cent over 1994, the bank reported yesterday. Net return on assets rose to 1.08 per cent in 1995, against 0.93 per cent in 1994, but return on equity dropped from 30.8 per cent in 1994 to 27.8 per cent this year.

The bank said financial income jumped more than 43 per cent. Customer deposits increased to $1.17bn at the end of 1995, compared with $913m the previous year.

Banque Audi is the fourth largest bank in Lebanon in terms of assets and one of the most conservative. The GDRs sold for $12.60 a piece in the November $34m issue. They are now trading at $12.75. *Roula Khalaf, London*

PolyGram withdraws offer for Goldwyn

By Christopher Parkes in Los Angeles

Negotiations over the future of debt-laden Samuel Goldwyn, the Los Angeles film company, have run into difficulties, with the reported withdrawal of a partial offer from PolyGram, a subsidiary of Philips of the Netherlands.

While the move appeared to leave the fast-expanding Metromedia group as the only potential saviour for the ailing remnant of Hollywood's glory days, observers suggested PolyGram might be attempting to force the Goldwyn management to come to a decision.

The Dutch-owned group originally offered $62m for the Goldwyn film and television programming library. This left the future of the film-making and distribution interests unclear, although a buyer was expected to be found relatively easily for its Landmark chain of movie theatres.

However, the PolyGram offer was promptly beaten by a proposal from Metromedia, part of the private empire of billionaire Mr Paul Kluge, to buy the entire company for a consideration of $115m, including the assumption of Goldwyn's $73m debts.

Goldwyn, controlled by the son of the late mogul of the same name, is known for making quality, limited-market films which match the tastes of visitors to its Landmark "art house" cinemas.

However, hits have been hard to come by recently, in spite of the success of *The Madness of King George*. A new release, *Angels & Insects*, had a fair start, although last year's *Perez Family* was swiftly switched into the video rental market after flopping.

The bid from PolyGram, which is making determined efforts to expand its library of broadcasting and cinema material, was aimed at long-time favourite programmes in the Goldwyn files, which include the *Flipper* series from television, and *American Gladiators*. Films include cult movies such as *Sex, Lies and Videotape*.

The Dutch-owned bidder had also negotiated licensing rights to 75 classic films from the estate of the late Mr Goldwyn.

Branch expansion helps lift Metrobank profits by 39%

By Edward Luce in Manila

Metropolitan Bank and Trust (Metrobank), the Philippines' largest commercial bank, reported a 39 per cent rise in net profits, to 3.5bn pesos ($133.7m) in 1995, on the back of rapid branch expansion growth.

The bank, which is 55 per cent owned by Mr George Ty, a leading Chinese-Filipino businessman, said it also overtook the Philippine National Bank as the country's largest finance house in terms of total assets. Total assets jumped from 110bn pesos in 1994 to 178bn pesos, the company said.

"Metrobank's very impressive results last year were the fruits of a rapid branch expansion plan, and the overall climate of fast deposit and loan growth in the Philippines," said Mr Matthew Sutherland, chief analyst at Asia Equity Securities in Manila.

"The bank has also benefited from its very close ties to the Chinese-Filipino business community, which owns some of the fastest growing businesses in the country," he added.

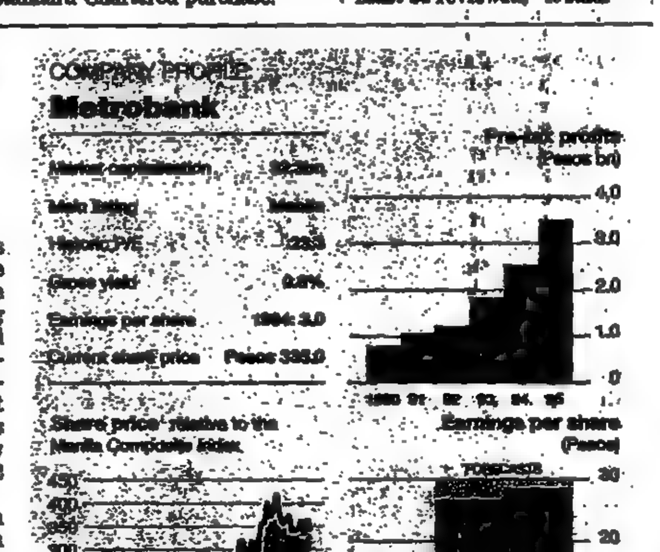
Spurred on by the Philippine economic recovery, which helped total banking loans deposits grow by about 30 per cent, Metrobank extended its branch network to more than 300 outlets from around 270 in 1995, and saw deposits grow 25 per cent to 108bn pesos. Net loans, which include underwriting accounts, surged 56 per cent to 93.8bn pesos.

Analysts, who point out that Metrobank controls a leading share of the country's rapidly growing export-import finance sector – owing to its close ties with Taiwan and other Chinese trading partners – say the bank's consumer financing subsidiaries have also gained impressive stakes in the housing mortgage and car loan sector. Car sales grew 29 per cent in 1995, while the country's top-end property market saw real estate prices double in 12 months.

With a 35 per cent stake in Toyota (Philippines), which had the highest share of the country's car sales market last year, Metrobank is considered well placed to exploit the continued surge in consumer financing. However, analysts see Metro's net profits growth slowing to about 25 per cent in 1996.

"Metro will continue to register good growth, but profit rises of 40 per cent will not be an annual event," said Mr Sutherland.

Metro's shares, which have risen in line with the market's recovery this year, yesterday closed steady at 355 pesos.



Tenneco posts strong advance

After-tax earnings at Tenneco rose to $183m on sales of $2.4bn in the final quarter of last year, as the diversified US industrial conglomerate continued to shift into higher-margin businesses and shed cyclical operations, writes Richard Waters in New York.

A year before, it reported earnings of $82m on sales of $2.8bn, after a $177m loss from discontinued operations.

The automotive division generated more than half its sales outside the US for the first time, setting the lead in the group's plans for international expansion, said Mr Dana Mead, chief executive.

Tenneco's automotive parts unit reported fourth-quarter sales of $816m, up 32 per cent from a year before.

For the year, the company reported net income of $735m on sales of $8.9bn, against $408m on sales of $12.2bn in 1994. Before losses on discontinued businesses and other one-off factors, it earned $641m in 1994. Earnings per share were $1.05 in the latest quarter and $4.16 in 1995 as a whole, against 16 cents and $2.20 in the same periods in 1994 (or $1.14 and $3.49 on continuing operations.)

Automotive side selects global gear

Takeovers and joint ventures are seen as potential routes for growth

Tenneco Automotive, the $2.5bn turnover motor components subsidiary of the US natural gas, packaging and automotive multinational, is accelerating a worldwide acquisition programme in the belief that, within a decade, each motor components sector will be dominated by one or two fully global groups.

"A number of deals are ready to be finalised, and there are no financial constraints on further acquisitions," said Mr Dick Snell, president and chief executive, in Brussels recently at the start of a world tour to discuss vehicle manufacturers' globalisation programmes and launch automotive after-market initiatives.

While Mr Snell would not identify current takeover targets, Tenneco Automotive specialises in exhaust systems – it claims 25 per cent of the world market through its Walker Manufacturing subsidiary – and shock absorber and ride control systems, in which it maintains a similar share of the world market through Monroe Auto Equipment.

Tenneco Automotive accounts for slightly more than 20 per cent of the group's $12bn turnover, but is regarded as the division with probably the highest potential for growth.

In the past year or so Mr Snell and senior executives are known to have been investigating possible takeover targets or joint ventures around the world. In the past few months the division has set up a joint venture with a local partner in Beijing to form Beijing-Monroe Shock Absorber, supplying locally-produced Chrysler Jeep Cherokees and a domestically-designed sport utility vehicle. The venture has been chosen to supply Dong Feng Citroën in Wuhan, which is to produce the French carmaker's ZX model, and has also set up an exhaust venture in China, with India next on the list.

In the Czech Republic, it acquired the Ateso shock absorber manufacturer near Prague, as a launch pad into eastern Europe. And in a move which has given Tenneco the lion's share of Europe's exhaust systems market, it now controls German exhaust systems maker Heinrich Gillet and Spanish exhaust and emissions controls group Fonos. The acquisitions have more than doubled the size of Walker's European business.

"Now is the time to start making sure we'll still be there," said Mr Snell of his prediction that there will be a further severe shake-out in the global automotive sector. "Vehicle manufacturers are becoming outspoken in their demands to shift engineering and development work to their suppliers, and as they go global they will want just one supplier for each components system. But that supplier will have to possess a substantial engineering base with the ability to manufacture locally around the globe."

Already, it is clear that Tenneco regards its rivals to be mainly North American multinationals – notably Arvin Industries – rather than European or even Japanese groups.

"We see no signs of European players developing into global players of the size and resources we envisage as being needed, and Japanese component makers appear to be too strongly tied to Japanese vehicle makers to become truly global challengers," Mr Snell said.

Partial support for Mr Snell's view of the future was provided recently at the UK motor industry's centenary celebrations, when Mr George Simpson, president of the UK's Society of Motor Manufacturers and Traders, predicted that the number of carmakers in Europe would also be slashed by 2010, and that by then the world industry would indeed need only 15-20 direct, but completely global, component suppliers.

Not surprisingly, however, as chief executive of Lucas Industries, Mr Simpson expects the UK components group to be among the global suppliers. Lucas itself is dedicating two-thirds of future investment to building up a global capability.

While projecting only modest growth for Tenneco Automotive in Europe and North America, "there are now hundreds of millions of people acquiring discretionary income for the first time in Asia and other developing countries; and the first thing they want is a car, even before roads and bridges," said Mr Snell.

"Even that should be good for our replacement shock absorber business," he added – only half jokingly.

John Griffiths

THE HANSON DEMERGER

Centrifugal forces that pulled Hanson apart

As another conglomerate splits, **David Wighton** analyses this four-way solution

To identify one of the driving forces behind Hanson's proposed four-way demerger requires only a quick look at its share price chart.

It is the picture of a company which has lost its way or one which investors, at least, believe is heading down a cul-de-sac.

After a dramatic rise in the early 1980s, the shares did little for the rest of the decade. In the 1990s they started to decline, first steadily, then precipitously.

Hanson had hoped that the acquisition of Eastern Group, the electricity company acquired for £2.5bn in September, would reverse the trend. But it did nothing to calm investors' concerns about Hanson's increased vulnerability to economic cycles following the Quantum chemicals acquisition in 1993.

Institutions had started to convey to the board concerns about the direction of the group.

Yet Mr Derek Bonham, Hanson's chief executive and deputy chairman, insists that the decision is the natural next step in reshaping the group. That process has seen a company, built up through a series of unrelated acquisitions in the 1980s, reorganised into the four main business groupings which it now proposes to demerge.

This has required a programme of disposals, most notably last year's demerger of an assorted group of small US businesses as a standalone company, US Industries. Still to come are the proposed sale of Cavenham Forest Industries and partial flotation of Suburban Propane, which Hanson believes will raise about £1.5bn

Mr Bonham argues that this will leave Hanson with four coherent businesses in energy, tobacco, chemicals and building materials, all with "greater management and growth opportunities".

Hanson is the latest large international company to announce a demerger, leading some observers to declare that the conglomerate is dead.

But Mr Bonham denies that Hanson's move supports this view. "Lord Hanson and I continue to argue that there is a place for conglomerates in this world." He believes merely that the move makes sense for Hanson at this stage, given its size and the nature of its businesses.

Size is important because, as it has grown, Hanson has found it increasingly difficult to find financially driven acquisitions large enough to make a difference; and changes in accounting regulations have made Hanson-style acquisitions less apparently attractive.

During the 1980s it bought a number of natural resources companies which had poor cash flow, that meant it could only fund large acquisitions by making disposals. This prompted the strategy adopted by Mr Bonham after he became chief executive in 1992. He tried to focus the group and increase the emphasis on growth through internal investment rather than acquisition.

To encourage managers to concentrate on long-term development, Mr Bonham has introduced incentive schemes linked to the growth of individual businesses. He believes this process will be more effective once the group is divided.

As yesterday's modest rise in the share price indicated; the demerger is not expected to add much to shareholder value in the short-term. In the cases of ICI and Racal, part of the rationale for demergers was that the stock market was undervaluing the group's constituent parts so making them vulnerable to takeover.

But most analysts believe there is little, if any, "hidden" value in Hanson. Mr Gavin Launder, at SBC Warburg, calculates that Hanson's constituent parts would be valued at about 194p excluding the effects of the demerger. That compares with yesterday's close of 211½p.

One benefit of the demerger would be that the constituents would be more vulnerable to takeover and the shares might include a premium to reflect that. In particular, Imperial Tobacco would be seen as an attractive target.

Recent rumours that Hanson itself could be the subject of a bid were never taken very seriously by the City, not least for tax reasons. Quite apart from the sheer size, a predator acquiring Hanson to break it up would face huge capital gains tax bills if it sold off Imperial or the US chemicals businesses. The complexity of Hanson's tax arrangements also acted as a deterrent.

But analysts believe any such short-term benefits from demerger will be outweighed by the costs. All four companies will engage merchant banks – with NM Rothschild acting for the continuing Hanson – and the legal complexities are bound to generate substantial professional fees.

There will also be some capital gains tax involved in the reorganisation. While Hanson stresses that it has not received clearance from the UK and US tax authorities, it adds: "Preliminary indication is that one-off corporate taxes and costs associated with the proposed demergers would be containable."

But there will also be an increase in on-going costs. The three new companies will have to set up their own head offices and their cost of debt will inevitably increase. Debt rating agencies yesterday put Hanson on credit watch.

In addition, Hanson's famously low tax charge will rise. This is largely because the group will have to unwind the offshore bank accounts where it has generated tax-free interest, facilities which the demerged companies will not be able to replicate.

Despite these costs most observers and institutional shareholders welcomed the move. "We always thought Lord Hanson would want to go out with a bang and this is the right thing to do for shareholders," said one large investor.

Some analysts also applauded the hint that aggregate dividends might fall after the demerger. "The level of dividends had become unsustainable, yet it was hard to see Lord Hanson being able to stomach a cut," said one.

The demergers also resolve some of Hanson's ticklish management issues. Many institutions have been unhappy about the way family connections still play a part at Hanson, where Mr Christopher Collins, married to Lord Hanson's niece, is deputy chairman, and Lord Hanson's son Robert is corporate development director. "This may be seen as less of a problem at rump Hanson," said one observer.

Meanwhile, Mr Bonham, who has been operating under Lord Hanson's shadow, would get to head the separate energy and tobacco businesses with Mr Bill Landuyt, head of Hanson's US businesses, taking over chemicals.

This job would presumably have fallen to Mr David Clarke, Lord White's protegé in the US, if he had not left to run US Industries. But Lord White, who died in August, would have approved of the demergers according to Mr Andrew Arends, a former acquisitions manager at Hanson. "Lord White would have thought it an elegant solution to let the market decide how much the parts are worth. The interesting question is which of the four he would have gone with."

■ TOBACCO – By RODERICK ORAM

An Imperially lavish cash cornucopia

Nothing in Hanson makes money like Imperial Tobacco, which has the second largest share of the UK cigarette market and is arguably the best deal Lord Hanson ever made.

It generated £348m in operating profits last year, one-fifth of the group total, on some £780m of sales net of excise duties and only £54m of capital. Even by the standards of the tobacco industry, its 45 per cent operating margin and 650 per cent return on capital employed is lavish.

But for all that, it ranks below 20th in the world with only minor sales abroad. Thus it is likely to be taken over by another cigarette company seeking greater UK exposure.

Lord Hanson paid £2.5bn for Imperial in 1986, then a rambling and ill-managed conglomerate. He promptly sold £2.4bn of assets such as Courage, the brewer, Golden Wonder crisps, Ross Young's frozen foods, HP sauces and Happy Eater restaurants.

The remaining tobacco business, based in Bristol, was transformed into the lowest cost manufacturer in Europe by Mr Ron Fulford who will remain its chief executive. From 1987 to 1995, productivity rose 180 per cent and profits 12-fold on sales up a mere 5 per cent.

Given Imperial's prodigious cash flow and steady earnings, Hanson will probably shift to Imperial a disproportionately heavy £1bn of group debt.

Debt-free, analysts estimate Imperial is worth roughly £2.5bn, but its market value will be net of the debt it carries.

Critical to investors, though, will be Imperial's ability to pay dividends, because tobacco stocks are bought for income. Philip Morris, maker of Marlboro, trades on a dividend yield premium of about 60 per cent to Dow Jones Industrial Average stocks; BAT Industries, of the UK, is about a 35 per cent premium to the FT-SE 100 index.

The outlook for Imperial as an independent company is mixed. On the one hand it is likely this year to overtake Gallaher, owned by American Brands, as the the UK market leader. With brands such as Regal, Embassy and Superkings it has about 42 per cent of a steadily declining market.

But fast growing overseas markets, particularly in the emerging economies of eastern Europe and east Asia, are the industry's salvation from litigation and falling consumption in developed markets. Imperial derives only 15 per cent of its sales abroad and does not have brands strong enough to exploit overseas potential. BAT makes 20 times as many cigarettes as it does.

As a stand alone company, however, it is likely to attract a predator or a partner with a company weak in the UK but stronger elsewhere.

BAT, which has no UK sales for historic reasons, would seem to be the most likely candidate. But it is believed to be far more interested in Gallaher, if American Brands were ever to sell it. A merger of the two would allow BAT to reunite ownership of brands such as Benson & Hedges and Silk Cut which are geographically split between the two companies. More likely candidates are Reemtsma of Germany, with its strong position in eastern Europe, or even Japan Tobacco. Imperial has strong ties with both. Certainly, independence may be short-lived for Imperial.

Tobacco

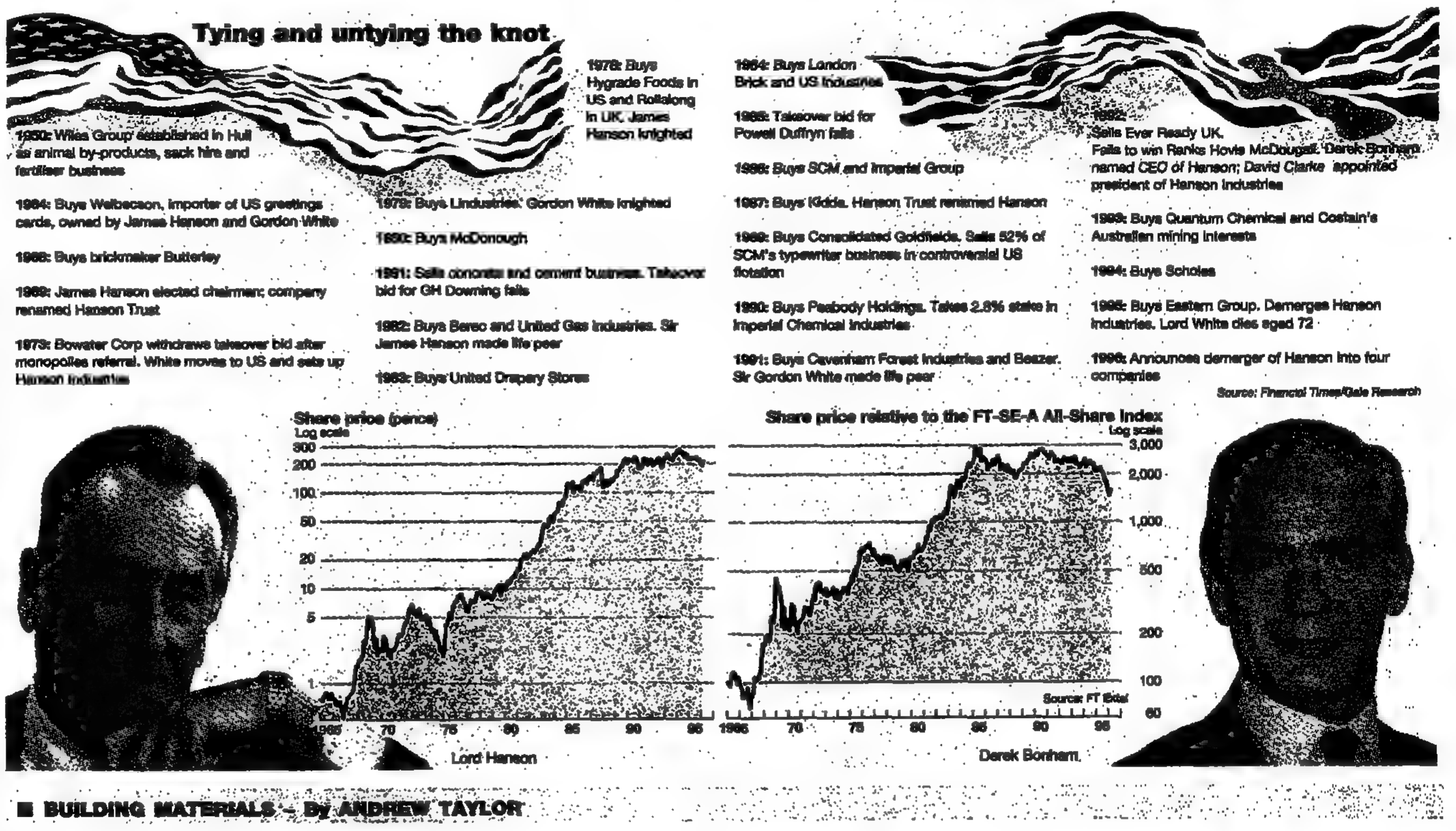
Chief executive: Ronald Fulford

Chairman: Derek Bonham

Turnover: £3.57bn*

Operating profit: £348m*
To be listed in London before Sep 30

*1995 pro forma



■ BUILDING MATERIALS – By ANDREW TAYLOR

Core interests to carry on the company name

Butterley Brick, bought for £2.8m in 1968, was one of the first takeovers by Mr James Hanson, who will give his name to the building materials businesses.

The "new" Hanson, chaired by the group's co-founder until his retirement next year, will remain a powerful force in building materials. Analysts said it was likely to be a FT-SE 100 company, with estimates of its value ranging from £1.5bn to £2.5bn, depending how much debt is put into it.

It will also house other members of the deal-making Hanson clan. Mr Christopher Collins, married to Lord Hanson's niece, will be deputy chairman and likely to succeed to the chairmanship. Lord Hanson's son Robert, 35, will be on the board.

As well being the UK's biggest brick maker, new Hanson will be one of the world's largest quarry operators, supplying construction industries in the UK and the US.

Businesses in the group generated operating profits of £286m on turnover of £2.31bn in the 12 months to September 30. The chief executive will be Mr Andrew Dougal, Hanson's finance director.

Subsidiaries include Grove, one of the world's largest crane manufacturers, and Hanson Electrical, supplying accessories from plugs to switchgear. Another constituent is Hanson's 12.5 per cent stake in the National Grid, valued at more than £400m, which is expected to be sold.

Analysts also believe that Grove and the electrical business may be sold, leaving the new company to concentrate on quarry and bricks.

The biggest profits earner last year was ARC, the UK quarry operator which came with Hanson's £3.3bn takeover of Consolidated Goldfields in 1989. Despite a difficult construction market last year, ARC increased operating profits from £69m to £84m on flat turnover of £563m. Cornerstone, the California-based quarry operator, produced unchanged profits of £50m on increased turnover of £930m. It brings with it a large part of Hanson's £1.4bn of environmental liabilities.

Quarries have been regarded as the classic Hanson investment. They have low overheads, generate lots of cash, and the value of the assets – rock, sand and gravel – is underpinned by the difficulty, in the UK at least, of winning planning permission for mineral extraction.

ARC, with an 18 per cent market share, will be the second largest producer of aggregates behind Tarmac, according to SBC Warburg. Tarmac will have a 24.5 per cent share when it completes an asset swap with Wimpey. ARC will also be second to Tarmac in coated stone for road construction, with a 16 per cent share.

Mr Mark Stockdale, SBC Warburg's construction analyst, says: "There could be further rationalisation in this sector if ARC decides to close the gap on Tarmac by purchasing some smaller players, particularly if it has the proceeds from disposals behind it."

Hanson

Chief executive: Andrew Dougal

Includes ACR, Hanson Brick, Hanson Electrical, Hanson Property and 12.5% of National Grid Group

Chairman: Lord Hanson

Turnover: £2.3bn*

Operating profit: £286m*
Will retain Hanson's current listing in London and New York

*1995 pro forma

Much will depend on the level of debt with which the new company is laden. Takeover candidates for ARC could include quarry operators Barden and Camas, say analysts.

Hanson followed its purchase of Butterley by buying London Brick for £245m in 1984. It has about 30 per cent of the UK brick market, ahead of Redland and Ibstock. Hanson's brick division last year increased its profits from £23m to £38m, despite the difficult housing market.

It is now turning its attention to continental Europe, with the planned acquisition of Desimpel Kortemark, one of the largest brick producers in the Benelux countries, in a deal worth about £195m including debt.

Hanson Properties, which plans a £500m new town at a disused brick works near Peterborough, will also be joining the building materials company.

■ CHEMICALS – By JENNY LUESBY

Cycle turns on bumpy path of price rises and overcapacity

It is likely to be many years before the Hanson chemicals business sees a year as good as 1995. Built around two companies, Quantum and SCM, it is a medium-sized force in two highly volatile sectors.

A rough estimate of its value, without any debt, is £3bn-plus. This could be inflated by the prospect of a bid, although some potential predators would run into anti-trust barriers.

The centrepiece is Quantum, which specialises in plastics. In 1993, Hanson bought Quantum for $2.3bn (£1.5bn) at the bottom of the cycle, and quickly benefited from a surge in prices – the price for one typical polyethylene product rose from 29 to 52 cents a pound.

Hanson estimated that each one cent movement boosted Quantum's profitability by $40m a year, taking last year's operating margins above 30 per cent on sales of £1.4bn.

However, a reversal followed, and prices for the same polyethylene product are now 38 cents a pound. Analysts predict a stabilisation at this level.

The group's other large chemicals business, SCM, with sales of £531m last year, is also in a cyclical sector, producing titanium dioxide which is used as a white pigment in almost every type of coating.

Titanium dioxide has been beset by overcapacity, with shortages in the late 1980s prompting a spate of new plant that subsequently flooded the market, pushing prices down from $2,400 a tonne in 1990 to $1,700 by 1994.

Steady demand growth began to take up the slack last year, pushing up prices and allowing producers to operate at more than 85 per cent of capacity. This almost immediately prompted expansion plans, with SCM among the most aggressive. Between 1991 and 1996 it increased its titanium dioxide capacity 29 per cent. By 2000 it plans to expand by a further 22 per cent.

Chemicals

Chairman and chief executive: Bill Landuyt

Includes SCM Chemicals, Quantum Chemical

Turnover: £2.02bn*

Operating profit: £591m*
To be listed in New York before Sep 30

*1995 pro forma

The take-up of this new product will depend on the paper industry and paint manufacturers, two of the largest buyers of titanium dioxide, both of which are under pressure. "Clearly there are problems ahead," said one analyst yesterday, anticipating renewed overcapacity as early as next year.

However, Mr Derek Bonham, Hanson's chief executive, said the company was confident it would not run into overcapacity problems, thanks to gains in market share.

SCM would soon be the second largest titanium dioxide producer in the US, he said, moving up from third position. The other two big players are Du Pont and ICI's Tioxide subsidiary.

The third, and by far the smallest, element of the new chemicals company will be Glidco, a successful niche manufacturer of predominantly turpentine-based fragrances and flavours. The grouping also includes a speciality chemicals business, which feeds other chemical producers with vinyl acetate monomer, acetic acid and ethyl alcohol.

The outlook for the combined chemicals business is for steady growth over the next two years, after a dip in profits to about £443m this year, according to Mr Chris Alexander, analyst with Lehman Brothers. He forecasts profits of £509m for 1997.

■ ENERGY – By DAVID BLACKWELL

Eastern heads out after a mere five months in the family fold

Eastern Group, which became part of Hanson only last September, will be the largest part of an energy group with combined sales of £3.5bn.

Hanson is planning to put it with Peabody, the world's largest private sector coal miner and a leading US distributor of propane gas. Combined operating profits were about £460m last year.

While its debt level has yet to be determined, the energy group would not benefit from the sale of Eastern's stake in National Grid, which Hanson has attached to the building materials group.

Analysts said the group would be similar in size to PowerGen, one of the UK's two big electricity generators, which is valued at £3.8bn and has no debt.

Eastern was the largest UK regional electricity company (rec) when Hanson took it over in a £2.8bn deal, including £300m debt. It makes most of its profits from electricity distribution in the south-east of England.

Energy

Chairman: Derek Bonham

Includes Eastern Group and Peabody

Turnover: £3.5bn*

Operating profit: £460m*
To be listed in London and New York before end 1996

*1995 pro forma

However, the bulk of its sales are derived from the low-margin supply side of the industry. Eastern has a 360MW gas-fired power station in Peterborough and is building another for £165m in Norfolk.

Eastern has been more heavily involved in power generation than any other rec. At about the time of the takeover, it bought two coal-fired power stations from PowerGen, tripling its share of generation capacity in England and Wales to about 8 per cent.

Since the takeover, it has continued to be a front-runner to buy three more coal-fired power stations, for more than £1bn, from National Power. If it were to complete the deal – and the Monopolies and Mergers Commission is looking into vertical integration in the electricity industry – its share of UK capacity would rise to about 14 per cent.

Eastern has also built itself into the fourth largest supplier of gas in the UK. It plans to take advantage of further deregulation due in both the electricity and gas supply industries.

Hanson's accounts show that St Louis-based Peabody had a difficult time last year. While profits rose from £149m to £215m, the underlying trend was down after excluding acquisitions and the effect of a strike in 1994. Peabody will bring with it the bulk of Hanson's £2.3bn healthcare liabilities which relate to black lung disease.

However, ahead of the Eastern takeover, Peabody had already expressed interest in power generation projects in Asia, with the aim of securing long-term coal supply contracts. Eastern was seen as adding expertise in electricity generation, supply and distribution.

Eastern had looked at international opportunities before the takeover, but realised that meaningful investments could be risky for a company its size. But Mr John Devaney, its ambitious chief executive, said yesterday that "as time goes by, we will look outside and take advantage of the work already done by Peabody".

Mr Devaney, who would be joint chief executive with Mr Irl F Engelhardt of Peabody, said the group would be a significant force in the world energy market.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Across industries.
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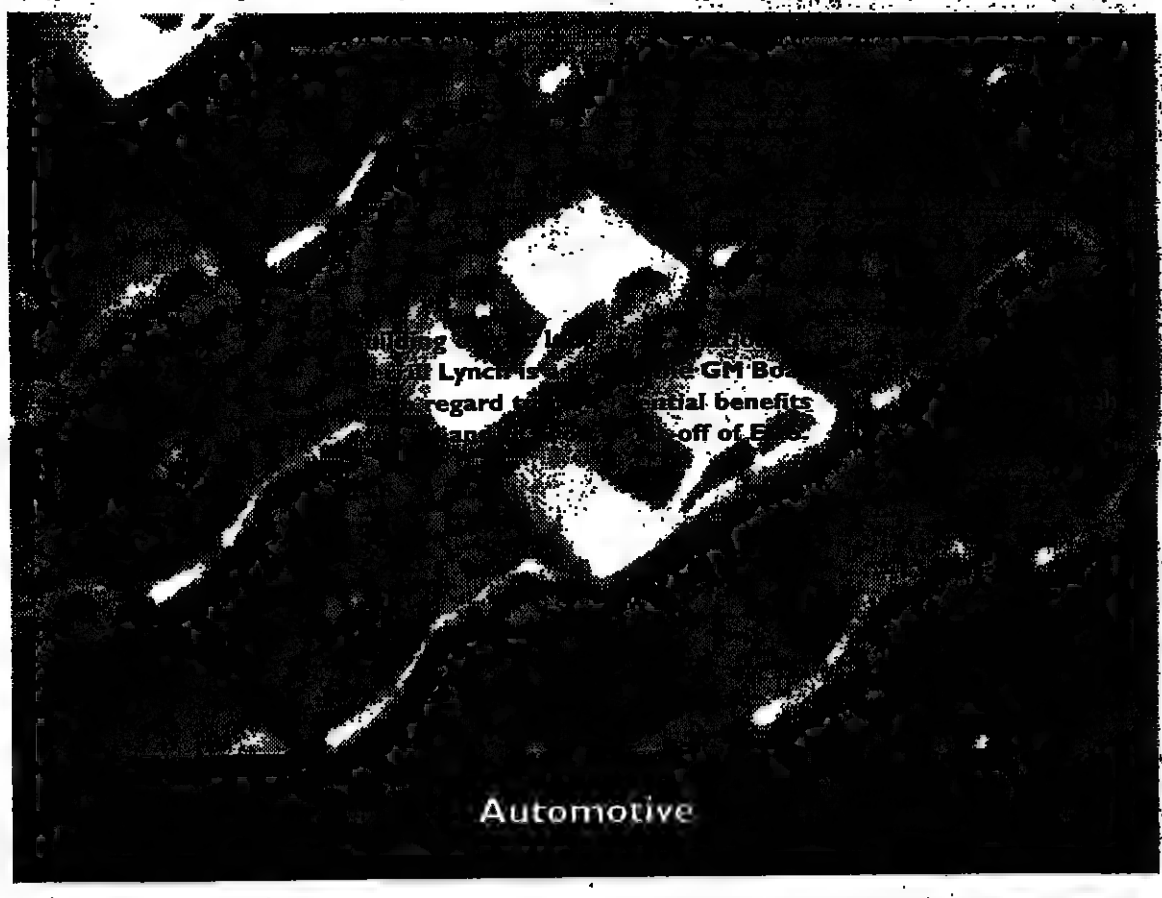
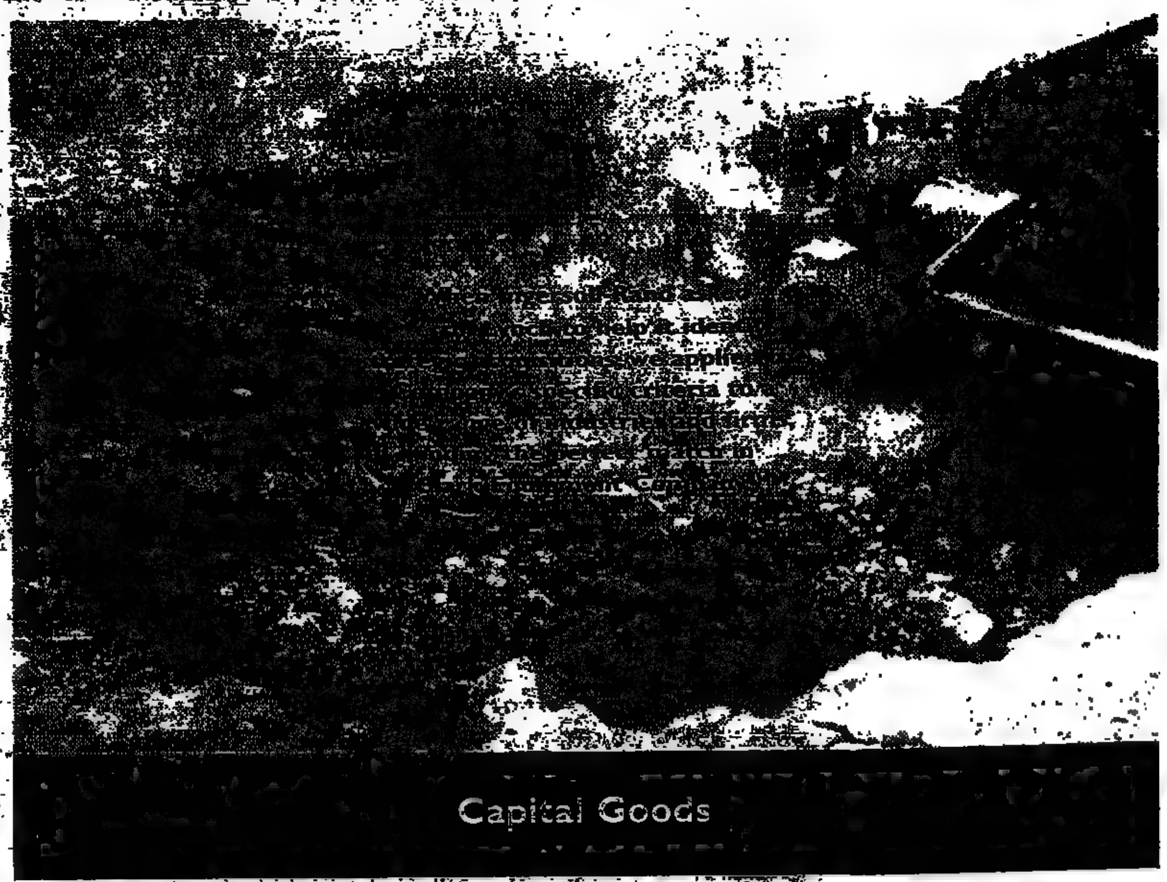




AB Volvo
acquired the 50% it did not already own of
VME Group N.V. from
Clark Equipment Company
$573,000,000

Arvin Industries, Inc.'s majority owned subsidiary
Space Industries International, Inc.
was acquired by a management group
$42,600,000

Chrysler Financial Corporation
Retail Auto Loan Securitization
$1,249,987,527

Dana Corporation
acquired the 43% it did not already own of
Hayes-Dana, Inc.
$82,700,000

Detroit Diesel Corporation
acquired VM Motori SpA
from
Montagu Private Equity Limited
$125,000,000

Ford Motor Company
TOPrS℠ Exchange Offer
$631,838,300

Deal of the Year
General Motors Corporation
consideration of potential split-off of
Electronic Data Systems Corporation
$25,000,000,000

General Motors Corporation
Tender Offer for various series of
Fixed Rate Preference Stock
$1,290,224,000

General Motors Corporation
contributed 173 million shares of GM Class E Common Stock
(Electronic Data Systems Corporation) to the
GM U.S. Hourly-Rate Employees Pension Plan
$6,900,000,000

Key Manufacturing Group Limited Partnership
was acquired by
JPE, Inc.
Value not disclosed

Larizza Industries, Inc.
was acquired by
Collins & Aikman Corporation
$174,000,000

Snap-on Incorporated
acquired an additional 60% stake in
EDGE Diagnostic Systems
Value not disclosed

Snap-on Incorporated
acquired
Consolidated Devices, Inc.
Value not disclosed

Snap-on Incorporated
acquired
Herramientas Eurotools, S.A.
Value not disclosed

Toyota Motor Credit Corporation
Eurobond
$750,000,000

Volvo Group Finance Europe BV
Samurai Bond
¥15,000,000,000

World Omni Financial Corp.
(a subsidiary of JM Family Enterprises, Inc.)
Retail Auto Lease Securitization
$675,416,081

Amphenol Corporation
Common Stock
$93,000,000

AVX Corporation
Common Stock
$557,000,000

CARDO AB
Common Stock
SKR502,773,000

Case Credit Corporation
Equipment Contracts Securitization
$650,000,000

Caterpillar Financial Services Corporation
Equipment Contracts Securitization
$459,119,445

Caterpillar Inc.
has agreed to acquire an equity stake in
F.G. Wilson (Engineering) Limited
from
Emerson Electric Co.
Value not disclosed

Coats Viyella Plc
through its subsidiary
Dynacast International Ltd.
acquired
BACE Manufacturing, Inc.
$102,000,000

Danaher Corporation
acquired
Joslyn Corporation
$245,000,000

Elsag Bailey Process Automation N.V.
(a company of the Finmeccanica Group)
acquired
Hartmann & Braun
from Mannesmann AG
$718,000,000

Elsag Bailey Process Automation N.V.
Common Stock
$60,000,000

ESSTAR Incorporated
was acquired by
Atlas Copco AB
$570,000,000

Evcon Holdings Inc.
was acquired by
York International Corporation
$133,000,000

Fluor Corporation
has agreed to acquire a 54.5% stake in
Groundwater Technology, Inc.
Value not disclosed

General Signal Corporation
has agreed to sell its
Leeds & Northrup Division
to various buyers
Value not disclosed

Giddings & Lewis, Inc.
acquired
Fadal Engineering Co., Inc.
$180,000,000

Ingersoll-Rand Company
acquired
Clark Equipment Company
$1,500,000,000

Insituform Technologies, Inc.
acquired
Insituform Mid-America, Inc.
$189,000,000

IRO AB
Common Stock
SKR730,000,000

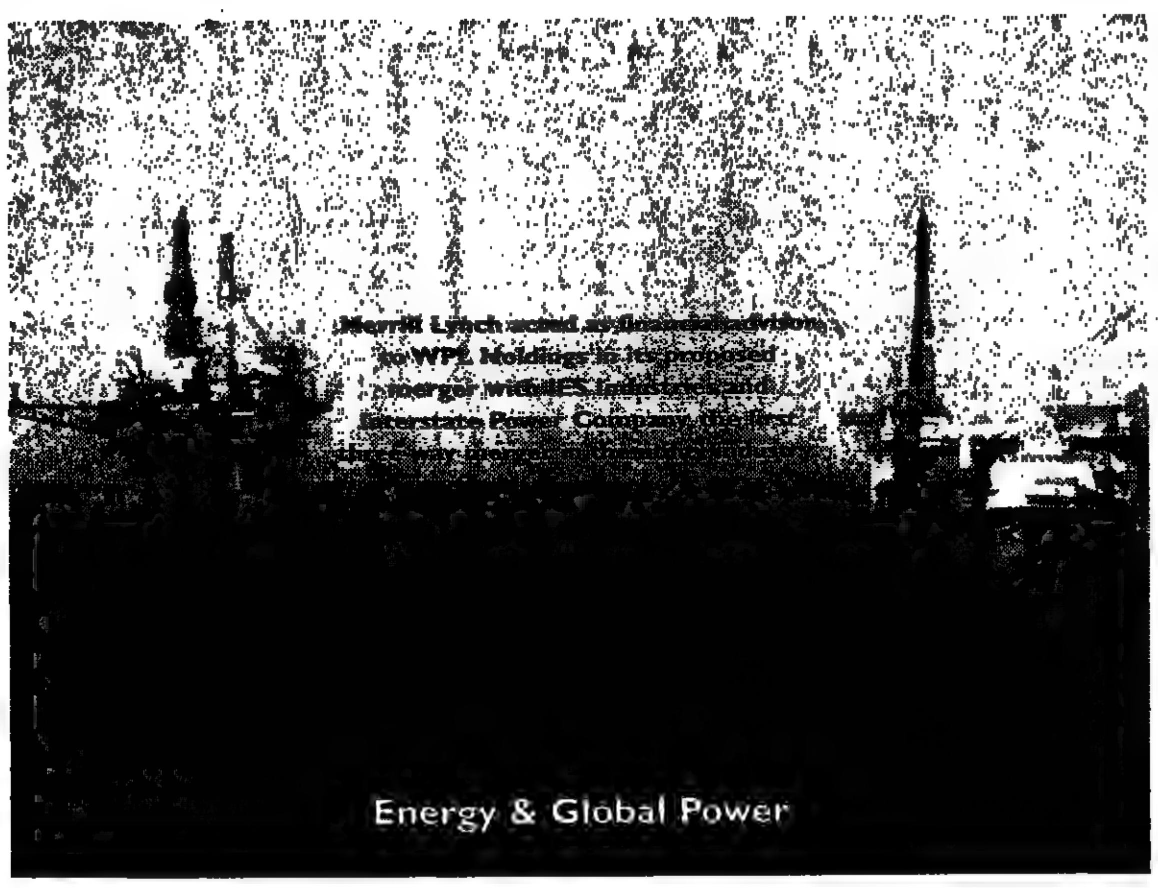
Kemet Corporation
Common Stock
$146,000,000

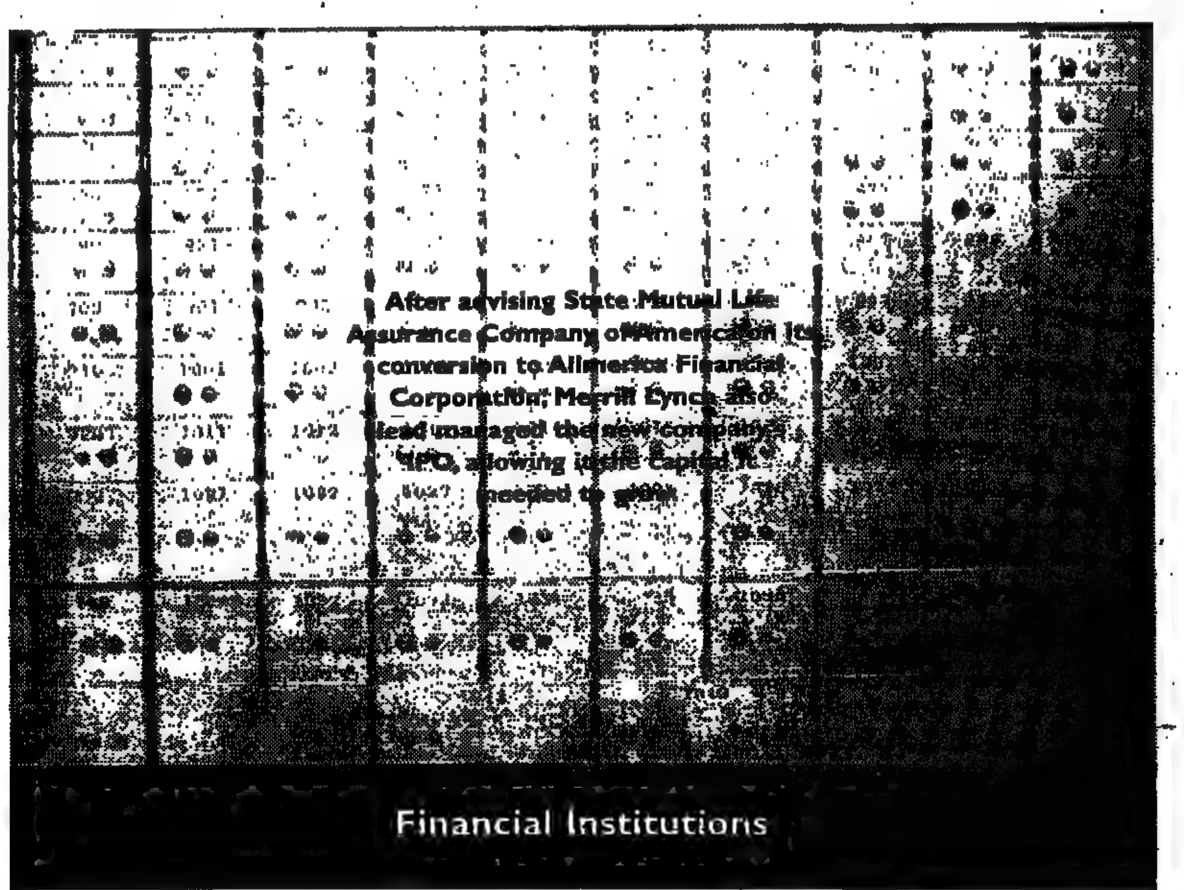
The Lincoln Electric Company
Common Stock
$129,000,000

Tyco International Ltd.
Common Stock
$432,000,000

United Technologies Corporation
through its subsidiary
Otis Elevator Company
acquired Boral Building Technologies from
Boral Ltd.
Value not disclosed

Waters Corporation
Common Stock
$166,000,000





Apache Corporation
Common Stock
$204,000,000

Arethusa (Off-Shore) Limited
has agreed to be acquired by
Diamond Offshore Drilling, Inc.
$666,000,000

Atlanta Gas Light Company
Common Stock
$50,000,000

Atlantic Richfield Company
acquired a minority stake in
Russian state-owned Lukoil
through the acquisition of convertible bonds
$250,000,000

BJ Services Company
acquired
The Western Company of North America
$519,000,000

Citizens Utilities Company
Class B Shares
$254,000,000

Consolidated Natural Gas Company
Debentures
$150,000,000

Cross Timbers Oil Company
Common Stock
$61,000,000

DEKALB Energy Company
merged with
Apache Corporation
$285,000,000

Delmarva Power & Light Company
acquired
Conowingo Power Company
from
PECO Energy Company
$150,000,000

DLB Oil & Gas, Inc.
Common Stock
$30,000,000

Enron Corp.
Notes
$100,000,000

First Reserve Gas Company
was acquired by
Crystal Oil Company
$78,000,000

Hydro-Quebec
Debentures
$300,000,000

MCN Corporation
Common Stock
$103,000,000

Magyar Olaj-es Gazipari Rt.
Global Depositary Shares
$165,000,000

NorAm Energy Corp.
Notes
$200,000,000

Panhandle Eastern Corporation
Debentures
$200,000,000

Petro-Canada
Common Stock
$1,350,000,000

Santa Fe International Corporation
sold certain oil and gas assets to various buyers
$436,000,000

Deal of the Year
Tennessee Valley Authority
Bonds
$1,000,000,000

Texas Meridian Resources Corporation
Common Stock
$40,000,000

Tidewater Inc.
has agreed to acquire
Hornbeck Offshore Services, Inc.
$271,000,000

Breakthrough Deal
Transco Energy Company
merged with
The Williams Companies, Inc.
$3,000,000,000

United Meridian Corporation
Senior Subordinated Notes
$150,000,000

Weatherford International Incorporated
merged with
Enterra Corporation
$690,000,000

WPL Holdings, Inc.
has agreed to a three-way merger with
IES Industries Inc. and
Interstate Power Company
$3,800,000,000

Abbey National plc
STG200,000,000
Exchangeable Capital Securities
STG100,000,000
Preference Shares

Allmerica Financial Corporation
Common Stock
$266,000,000

Argentaria Capital Funding Ltd.
Preference Shares
DM200,000,000

Banco Comercial Português, S.A.
in partnership with
Companhia de Seguros Império
acquired
Banco Português do Atlântico
$2,085,200,000

Banco Nacional de Mexico
Electronic Transfer Master Trust
9.35% Certificates
$206,500,000

Bank of Boston Corporation
has agreed to acquire
BayBanks, Inc.
$2,100,000,000

Bank South Corporation
was acquired by
NationsBank Corporation
$1,600,000,000

Citicorp
Fixed/Adjustable Rate
Preferred Stock
$125,000,000

Corporación Andina de Fomento
Yankee Bond
$250,000,000

First USA, Inc.
Common Stock
$401,000,000

Fleet Financial Group
has agreed to acquire
NatWest Bank N.A.
$3,300,000,000

Fleet Financial Group
conversion of 50% ownership in Fleet Banking Group to
Fleet common stock
$961,000,000

KFW International Finance Inc.
Yankee Bond
$250,000,000

Kohlberg Kravis Roberts & Co.
has agreed to acquire
Talegen Holdings, Inc.,
including
The Resolution Group, Inc.
from a division of
Xerox Corporation
$2,700,000,000

Liberty Mutual Insurance Company
8.20% Surplus Notes
$250,000,000

MBNA Corporation
7.50% Cumulative
Preferred Stock
$150,000,000

Breakthrough Deal
Merrill Lynch & Co., Inc.
6.50% STRYPES℠
Payable with shares of
common stock of MGIC Investment Corporation
$258,000,000

Deal of the Year
Merrill Lynch & Co., Inc.
acquired
Smith New Court PLC
$842,000,000

Merrill Lynch & Co., Inc.
Samurai Bond
¥40,000,000,000

Midlantic Corporation
was acquired by
PNC Bank Corp.
$3,100,000,000

National City Corporation
has agreed to acquire
Integra Financial Corporation
$2,100,000,000

RenaissanceRe Holdings Ltd.
Common Stock
$61,000,000

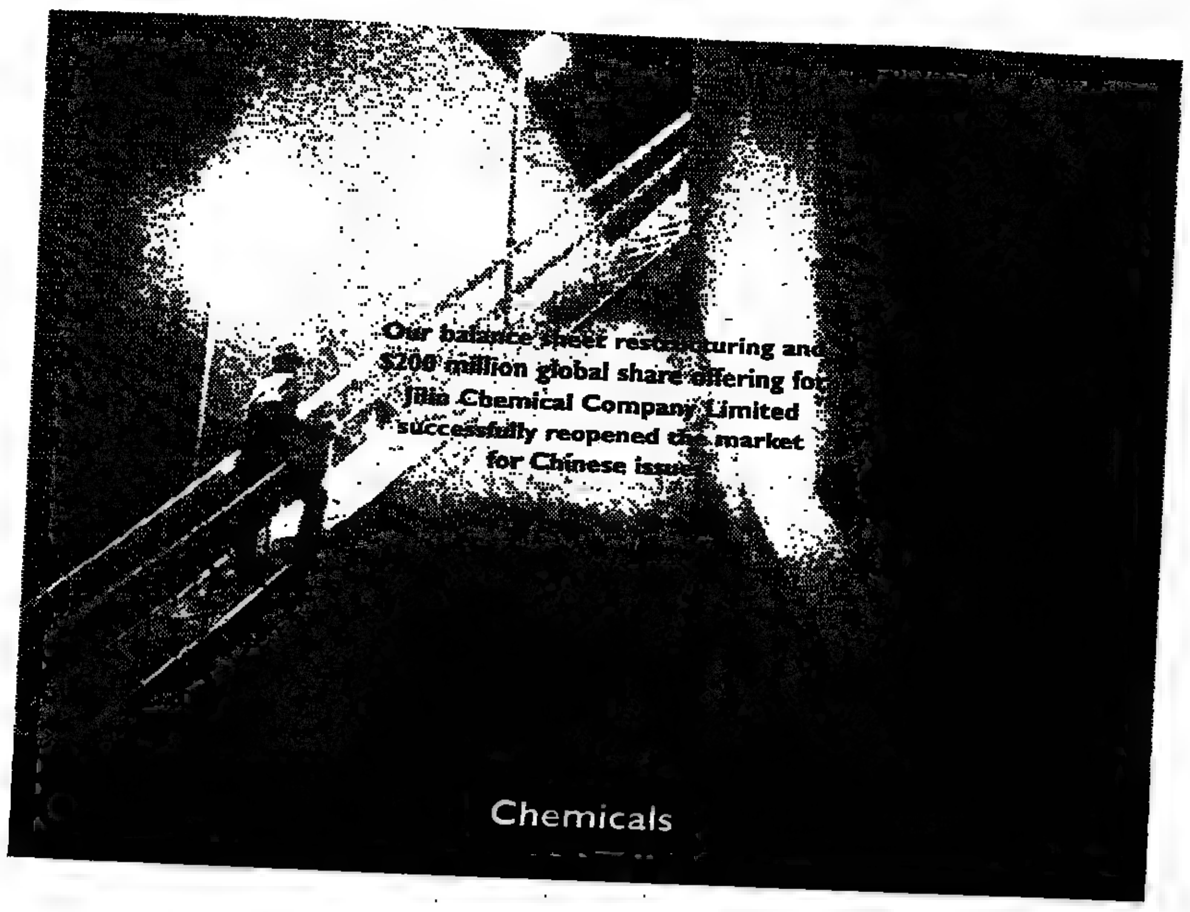
SouthTrust Corporation
Common Stock
$94,000,000

Breakthrough Deal
SunAmerica Inc.
TOPrS℠ Exchange Offer
$248,000,000

Swiss Bank Corporation
Subordinated Notes and Debentures
$1,000,000,000

UJB Financial Corporation
has agreed to acquire
The Summit Bancorporation
$1,200,000,000

United Companies Financial Corporation
6.75% PRIDES℠
Convertible Preferred Stock
$86,000,000



Applied Extrusion Technologies, Inc.
Common Stock
$52,000,000

Cabot Corporation
sold the business of Cabot Safety Corporation
to a company formed by
Vestar Equity Partners, L.P.,
management and
Cabot Corporation
$205,000,000

CBI Industries, Inc.
defense with respect to
an unsolicited offer for its
Liquid Carbonic subsidiary
from Airgas, Inc.
$1,450,000,000

CBI Industries, Inc.
has agreed to be acquired by
Praxair, Inc.
$2,400,000,000

Ferro Corporation
acquired the
Synthetic Products Company
from
Cookson Group PLC
$92,000,000

FMC Corporation
acquired
Moorco International, Inc.
$320,000,000

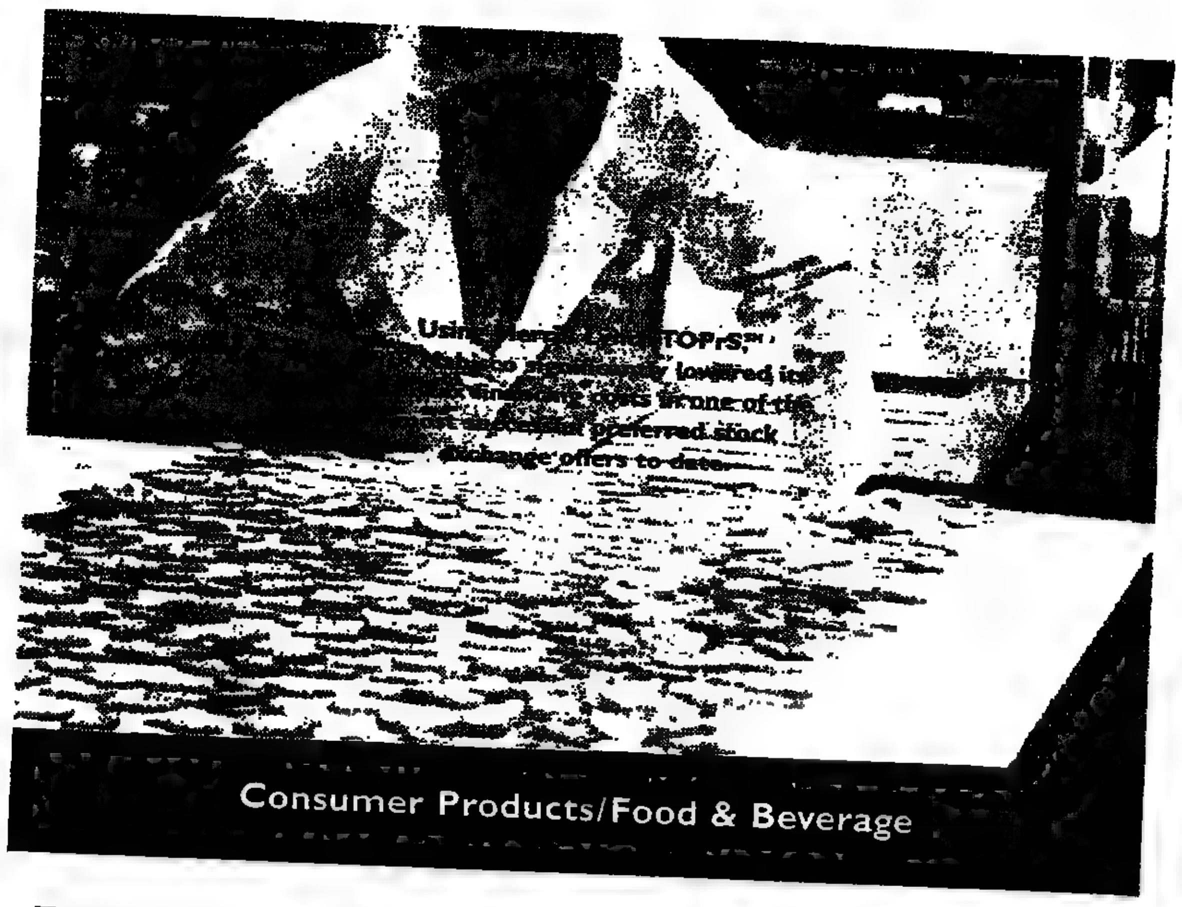
W.R. Grace & Co.
pending spin-off of its
National Medical
Care, Inc. subsidiary
$3,500,000,000

Deal of the Year
Jilin Chemical Industrial Company Limited
Global coordinator for
initial public offering
$200,000,000

MacDermid Incorporated
acquired the Electronics and
Printing Division of
Hercules Incorporated
$130,000,000

Monsanto Company
acquired the Kelco Division of
Merck & Co., Inc.
$1,075,000,000

Pratt & Lambert United Inc.
was acquired by
The Sherwin-Williams Company
$482,000,000



The Alberto-Culver Company
has agreed to acquire
St. Ives Laboratories, Inc.
$120,000,000

Auto-Shade, Inc.
was acquired by
a company formed by
Code, Hennessy &
Simmons II, L.P.
Value not disclosed

Cadbury Schweppes
Preference Shares
$400,000,000

De Rigo
American Depositary Shares
$142,000,000

The Dial Corp
acquired Giltspur, Inc.
a wholly owned subsidiary of
Unigate PLC
Value not disclosed

Duracell International Inc.
Common Stock
$686,000,000

Golden Cat Corporation
was acquired by
Ralston Purina Company
Value not disclosed

Industri Kapital 1989 Ltd
and AB Fortos
sold Partena AB
to Financière Sodexho S.A.
and Sodexho S.A.
$235,000,000

Macluan Capital (Nevada) Inc.
was acquired by an affiliate of
Madison Dearborn Partners
Capital, L.P.
$192,500,000

Mavesa S.A.
acquired
Yukery Venezolana de
Alimentos C.A.
Value not disclosed

Nabisco, Inc.
Commercial Paper

Oakley, Inc.
Common Stock
$265,000,000

Paragon Trade Brands, Inc.
has agreed to acquire the
Disposable Diaper Business of
Pope & Talbot, Inc.
$65,000,000

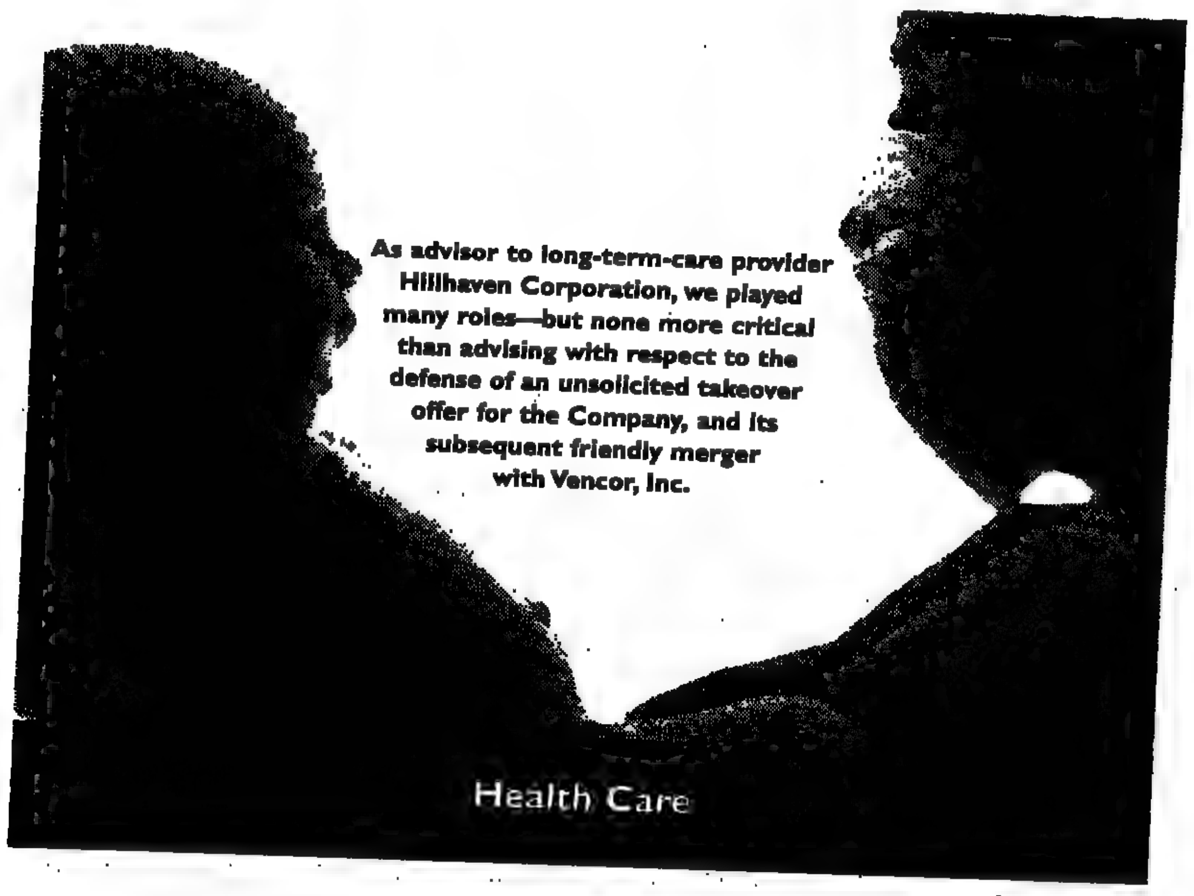
Deal of the Year
RJR Nabisco, Inc.
TOPrS℠ Exchange Offer
$950,000,000

RJR Nabisco, Inc.
Consent/Exchange Solicitation
$5,400,000,000

Sysco Corporation
Notes
$150,000,000

Tyson Foods
Medium Term Notes
$150,000,000

Zenith Electronics Corporation
sold a majority stake
in the company to
LG Electronics Inc.
$351,000,000



Access Health, Inc.
Common Stock
$102,000,000

Allergan, Inc.
established a newly formed
company to fund its venture with
Ligand Pharmaceuticals
$100,000,000

Boston Scientific Corporation
acquired
SCIMED Life Systems, Inc.
$1,007,000,000

CareerStaff Unlimited, Inc.
was acquired by
Sun Healthcare Group, Inc.
$119,000,000

Continental Medical Systems, Inc.
was acquired by
Horizon Healthcare
Corporation
$775,000,000

Dura Pharmaceuticals, Inc.
Common Stock
$57,000,000

Genesis Health Ventures, Inc.
Senior Subordinated
Notes
$120,000,000

Health Care Property Investors
Common Stock
$50,000,000

HealthTrust, Inc.–
The Hospital Company
merged with
Columbia/HCA
Healthcare Corporation
$5,260,000,000

Hillhaven Corporation
was acquired by
Vencor, Inc.
$1,978,000,000

Hillhaven Corporation
acquired
Nationwide Care Inc.
$175,000,000

OrNda HealthCorp
Common Stock
$203,000,000

Pyxis Corporation
acquired Allied Pharmacy
Management Inc.
$48,000,000

Roche Holdings, Inc.
sold Syva Company to a
subsidiary of
Hoechst AG
Value not disclosed

Roche Holdings, Inc.
LYONs™
$2,150,000,000

Schering-Plough Corporation
sold its Wesley-Jessen
contact lens business to
Bain Capital, Inc.
$47,500,000

SmithKline Beecham Capital Inc.
Notes
SFR100,000,000

Synaptic Pharmaceutical Corporation
Common Stock
$28,000,000

Tenet Healthcare Corporation
sold its International
Hospital Division to
various buyers
$427,300,000

United Wisconsin Services, Inc.
Common Stock
$51,000,000

WellPoint Health Networks Inc.
pending recapitalization through a
cash dividend followed by a
reverse stock split
$1,225,000,000

WellPoint Health Networks Inc.
has agreed to acquire the Group
Life and Health unit of
Massachusetts Mutual Life
Insurance Company
$380,000,000

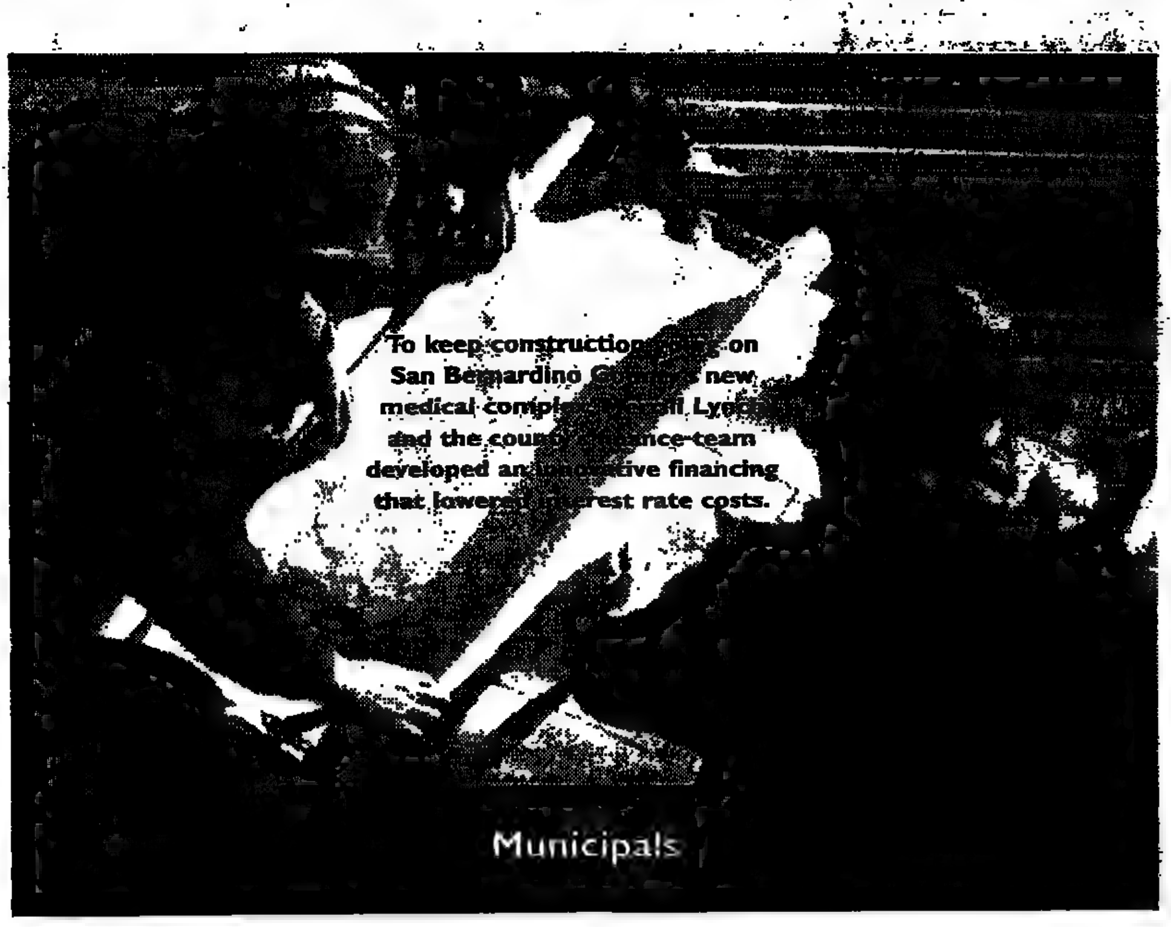
Fulfilling the financial needs of corporations, governments and institutions is a growing challenge.

For corporations worldwide it was a year of consolidation and reorganization. For governments and institutions, the global search for capital intensified. In-depth knowledge of global industries, economies and markets were critical to the success of any endeavor.

One firm delivered this knowledge to clients throughout the world.

The difference is Merrill Lynch.

Merrill Lynch
A tradition of trust.



California Housing Finance Agency
Home Mortgage Revenue Bonds
$159,965,000

County of Los Angeles
Taxable Pension Obligation Bonds
$600,000,000

Dade County, Florida
Water and Sewer System Revenue Bonds
$346,820,000

Dallas-Fort Worth International Airport Facility Improvement Corporation/American Airlines, Inc.
Revenue Bonds
$126,240,000

Dormitory Authority of the State of New York
State University Educational Facilities Revenue Bonds
$291,420,000

Florida Housing Finance Agency
Homeowner Mortgage Revenue Bonds
$94,650,000

Massachusetts Health and Educational Facilities Authority
Newton-Wellesley Hospital
$85,395,000

New York State Urban Development Corporation
Correctional Capital Facilities Revenue Bonds
$282,170,000

Deal of the Year
San Bernardino County, California
Certificates of Participation
$363,265,000

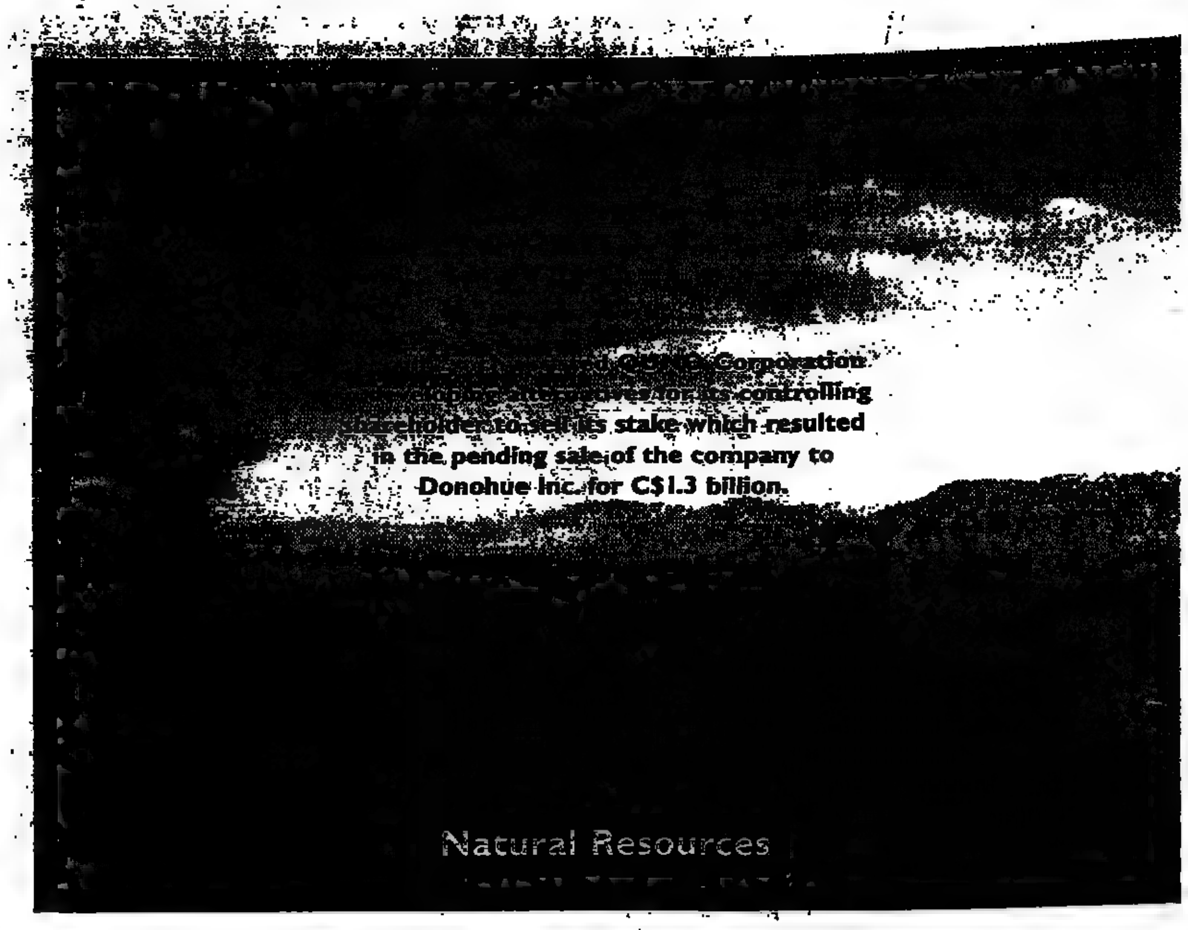
The School District of Philadelphia, Pennsylvania
Various Purpose General Obligation Bonds
$217,455,000

State of Connecticut
Special Tax Obligation and Refunding Bonds
$335,630,000

State of Hawaii
General Obligation Bonds
$268,000,000

State of Washington
General Obligation Bonds
$268,900,000

Turnpike Authority of Kentucky
Economic Development Road Revenue and Refunding Bonds
$237,890,000



AMAX Gold
Bank Loan Syndication
Senior Term Loan
$250,000,000

Bowater Incorporated
Security Tenders
Notes $325,000,000
Preferred Stock
$82,000,000

Buckeye Cellulose Corporation
Common Stock $152,000,000
Senior Subordinated Notes
$150,000,000
Senior Notes Tender
$65,000,000

Commonwealth Aluminum Corporation
Common Stock
$126,000,000

CSS Industries, Inc.
acquired Cleo Inc. from Gibson Greetings, Inc.
$128,500,000

Deal of the Year
Dubai Aluminum Company Limited
Aluminum-linked Loan
$250,000,000

James River Corporation of Virginia
spin-off of Crown Vantage Inc.
$825,000,000

JCI Limited
demerged from Johannesburg Consolidated Investment Company, Limited as a publicly-traded company
$1,100,000,000

Deal of the Year
Jefferson Smurfit Group plc
Yankee Notes and Debentures
$600,000,000

Mail-Well, Inc.
Common Stock
$70,000,000

Mail-Well, Inc.
acquired Supremex Inc.
$61,000,000

QUNO Corporation
has agreed to be acquired by Donohue Inc.
C$1,300,000,000

QUNO Corporation
Senior Notes
$150,000,000

Sahaviriya Steel Industry Public Company Limited
Convertible Bonds
$110,000,000

Usinor Sacilor
acquired the 41.1% it did not already own of Ugine s.a.
$760,000,000

Usinor Sacilor
Ordinary Shares
$153,000,000

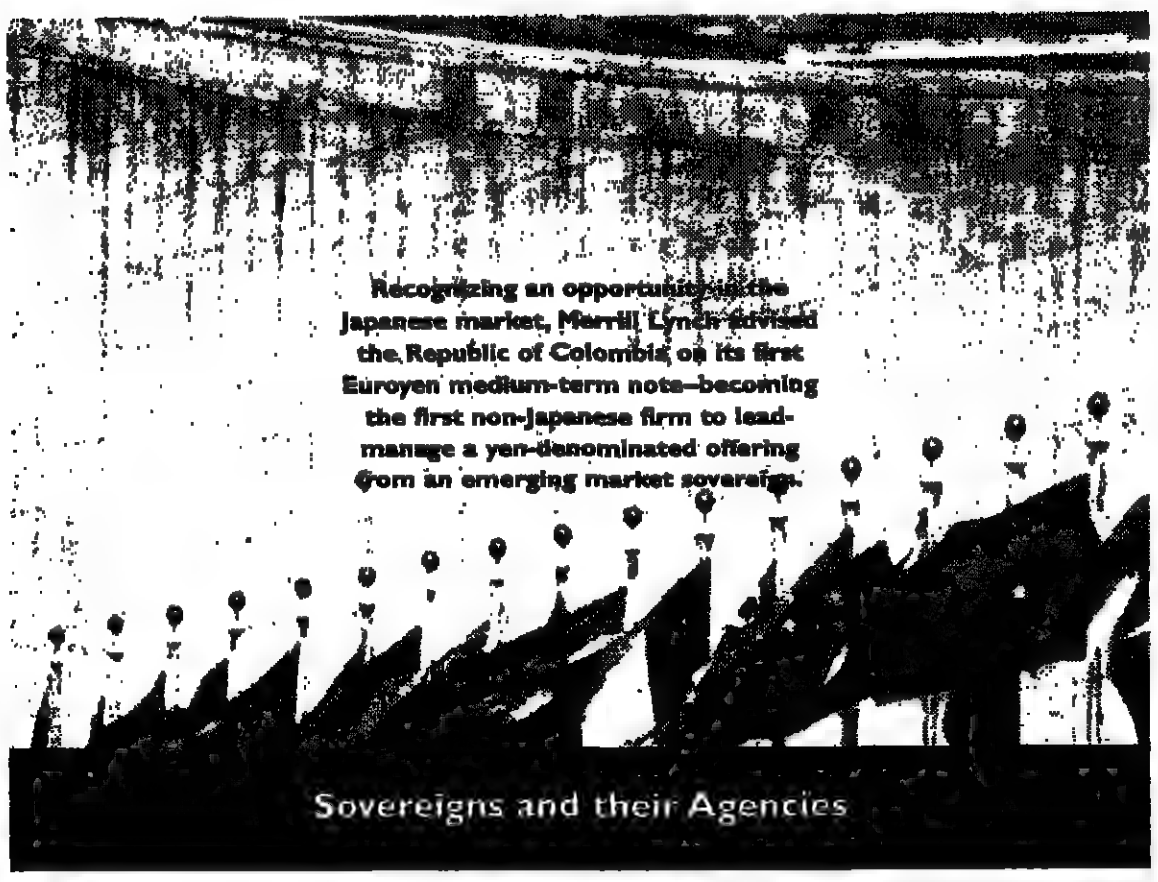
Voest-Alpine Stahl AG
Ordinary Shares
ATS3,191,000,000

Veritas Capital Inc.
through Bar Technologies Inc. has agreed to acquire Bliss & Laughlin Industries Inc.
$52,000,000

Western Waste Industries
has agreed to merge with USA Waste Services, Inc.
$536,500,000

Westmoreland Coal Company
sold its remaining Hampton Division assets to Burco Resources Corp., Wind River Resources Corporation and Penn Virginia Coal Company
Value not disclosed

Westvaco Corporation
sold its domestic Container Division to Weyerhaeuser Company
Value not disclosed



Asian Finance & Investment Corporation (AFIC)
Euro Medium Term Notes
$300,000,000

The British Railways Board
has sold B R Telecommunications Ltd. to Racal Electronics Plc (advised H M Government of the United Kingdom)
$393,000,000

Federal National Mortgage Association (Fannie Mae)
10 year callable Global Bond
$1,000,000,000

Deal of the Year
Canada
5 year Global Bond
joint lead managed with Deutsche Bank
$1,500,000,000

Canada
10 year Global Bond
joint lead managed with Deutsche Bank
$1,500,000,000

Industrial Finance Corporation of Thailand (IFCT)
Euro Medium Term Notes
$500,000,000

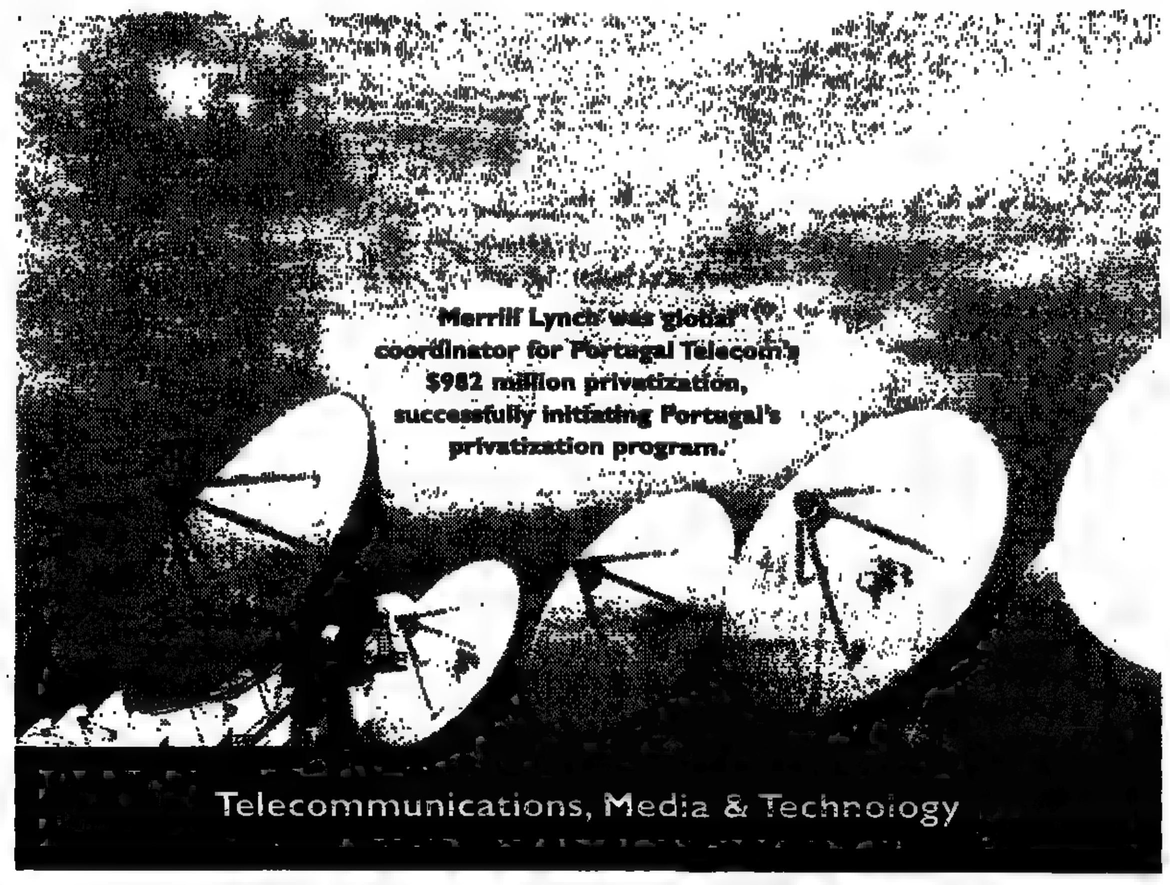
Japan Finance Corporation for Municipal Enterprises
Yankee Bond
$300,000,000

Japan Highway
Eurodollar
$500,000,000

Petróleos del Perú S.A.
Pending Privatization
Value not disclosed

The Republic of Colombia
Euroyen Bond
¥15,000,000,000

Republic of Portugal
Global Bond
FF 6,000,000



AT&T Universal Card Services Corp.
Credit Card Securitization
$2,338,125,000

Breakthrough Deal
Australis Media Limited
Discount Notes with Warrants
$175,000,000

Compania Anonima Nacional Telefono de Venezuela (CANTV)
Debt Restructuring
$950,000,000

Daily Mail & General Trust plc
Eurobonds
STG100,000,000

Dow Jones & Company
in partnership with ITT Corporation agreed to acquire WNYC-TV from The City of New York
$207,000,000

DST Systems, Inc.
Common Stock
$531,000,000

General Motors Corporation
secondary sale by GM U.S. Hourly-Rate Employees Pension Plan of Class E Common Stock (Electronic Data Systems Corporation)
$1,803,000,000

Hollinger Inc.
corporate reorganization including the transfer of its 63.3% interest in The Telegraph plc to Hollinger International Inc.
$550,000,000

Hyundai Electronics Industries Co., Ltd.
acquired the 63% it did not already own of Maxtor Corporation
$395,000,000

Infinity Broadcasting Corporation
Common Stock
$279,000,000

International Business Machines Corporation
Tender offer for Preferred Shares
$852,000,000

International Maritime Satellite Organization (Inmarsat)
Formed ICO Global Communications with an initial equity capitalization
$1,400,000,000

K-III Communications Corporation
Common Stock
$173,000,000

Korea Mobile Telecommunications Corp.
Global Depositary Shares
$150,000,000

NEXTEL Communications, Inc.
sold up to a 23.1% equity stake to Craig O. McCaw and his Family
$1,100,000,000

Deal of the Year
PT Telkomunikasi Indonesia (Persero)
Global coordinator for initial public offering
$1,680,000,000

Deal of the Year
Portugal Telecom, S.A.
Common Stock
ESC18,480,000,000

The E.W. Scripps Company
has agreed to sell its cable business to Comcast Corporation
$1,575,000,000

SHL Systemhouse Inc.
was acquired by MCI Communications Corporation
$1,223,000,000

Sprint Telecommunications Venture
acquired personal communications services licenses in 29 markets
$2,100,000,000

TCI Communications, Inc.
$750,000,000 Debentures
$350,000,000 Notes

Tele-Communications International, Inc.
Class A Shares
$320,000,000

Deal of the Year
Telefónica de España, S.A.
Global coordinator for public offering
$1,336,000,000

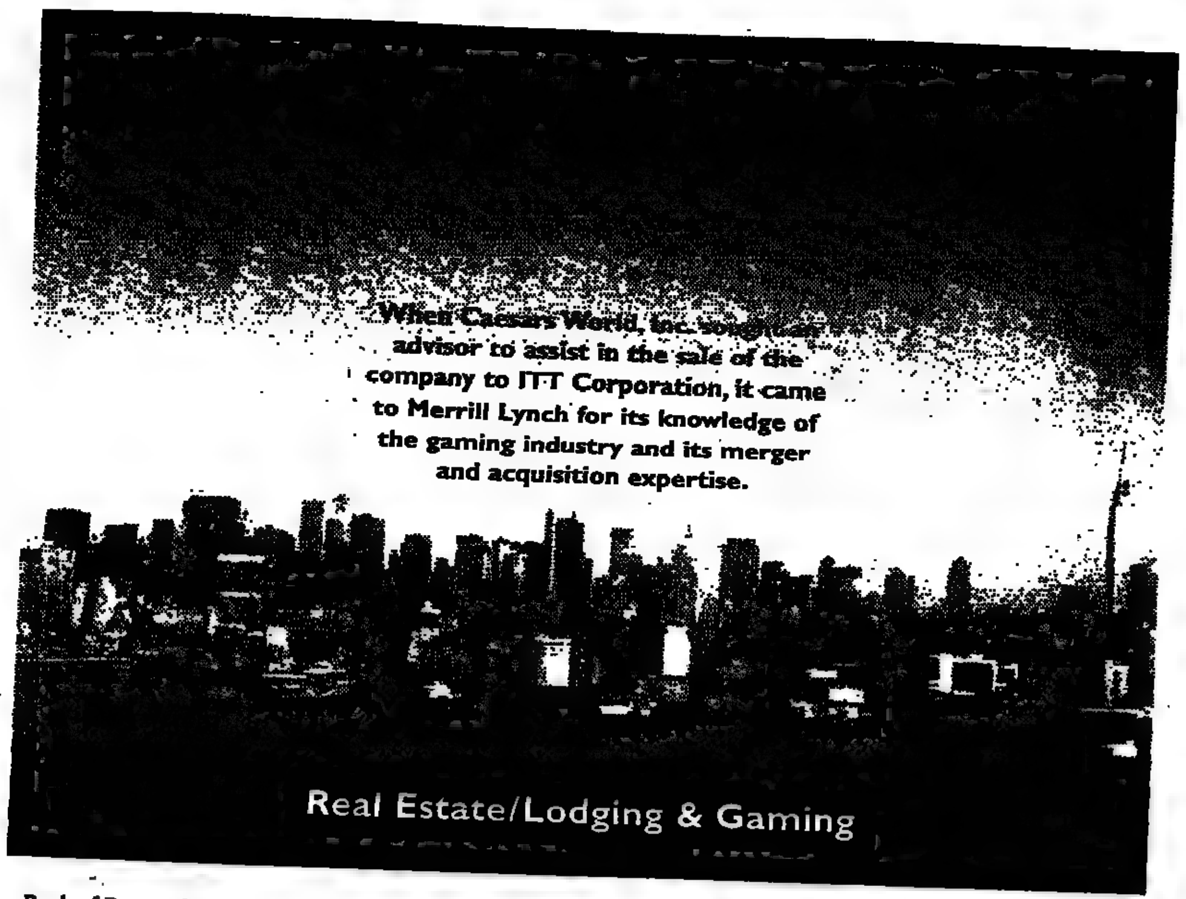
Telstra Corporation Limited
Commercial Paper

Time Warner Capital I
TOPrS℠
$575,000,000

Breakthrough Deal
Deal of the Year
Turner Broadcasting System, Inc.
has agreed to merge with Time Warner Inc.
$10,900,000,000

United States Cellular Corporation
LYONs™
$745,000,000

US West Financial I
TOPrS℠
$600,000,000



Bank of Boston Corporation
sold a portfolio of performing and non performing loans
$186,000,000

Beacon Properties Corporation
Common Stock
$154,000,000

Bedford Property Investors, Inc.
Convertible Preferred Stock
$50,000,000

Bristol Hotel Company
Common Stock
$100,000,000

Caesars World, Inc.
was acquired by
ITT Corporation
$1,785,000,000

Carr Realty Corporation
has agreed to sell a 39% stake to
Security Capital U.S. Realty
$250,000,000

Chateau Properties, Inc.
Senior Notes
$75,000,000

Colony Investors II, L.P.
Private Equity Fund
$625,000,000

Crescent Real Estate Equities, Inc.
Common Stock
$146,000,000

Duke Realty Investments, Inc.
Notes $150,000,000
Common Stock $102,000,000

Equity Residential Properties Trust
Cumulative Redeemable Preferred Shares
$275,000,000
Notes $125,000,000

Excel Realty Trust, Inc.
Common Stock
$40,000,000

Franchise Finance Corporation of America
Senior Notes
$200,000,000

HFS Incorporated
acquired
Century 21 Real Estate Corporation
from Metropolitan Life Insurance Company
$200,000,000

Highwoods Properties, Inc.
acquired
Forsyth Properties Inc.
$168,000,000
Common Stock
$235,000,000

Irvine Apartment Communities
Common Stock
$89,000,000

JP Realty, Inc.
Common Stock
$56,000,000

Kimco Realty Corporation
Common Stock $74,000,000
Cumulative Redeemable Preferred Shares
$50,000,000

New Plan Realty Trust
Senior Notes
$100,000,000
Common Stock $86,000,000

Post Properties, Inc.
Common Stock
$118,000,000

Realty Income Corporation
Common Stock
$50,000,000

Reckson Associates Realty Corp.
Common Stock
$171,000,000

Shurgard Storage Centers
Common Stock
$113,000,000

Simon Property Group
Common Stock
$151,000,000

Starwood Lodging Trust
acquired a 70% stake in
Hotel Investors Trust
$300,000,000
Paired Shares
$271,000,000

Storage Trust Realty
Common Stock
$58,000,000

The Price REIT, Inc.
Senior Notes
$100,000,000

TriNet Corporate Realty Trust, Inc.
Common Stock
$129,000,000

United Dominion Realty Trust
Common Stock
$65,000,000
Cumulative Redeemable Preferred Stock
$100,000,000

Vornado Realty Trust
acquired a 27.1% stake in
Alexander's Inc. from
Citibank, N.A.
$55,000,000
Common Stock $85,000,000

Washington REIT
Common Stock
$52,000,000

Wellsford Residential Property Trust
Senior Notes
$125,000,000
Preferred Stock
$50,000,000

Authentic Fitness
Common Stock
$54,000,000

Boston Chicken, Inc.
LYONs™
$828,000,000
Common Stock
$357,000,000

Broadway Stores, Inc.
was acquired by
Federated Department Stores, Inc.
$1,619,000,000

A.D. Clark, Inc.
was acquired by
American Stores Company
$35,000,000

Companhia Brasileira de Distribuicão Grupo Pão de Acúcar
Global Depositary Shares
$112,000,000

Eckerd Corporation
Common Stock $252,000,000
Common Stock $199,000,000

Intelligent Electronics, Inc.
acquired the 69.4%
it did not already own of
The Future Now, Inc.
$85,000,000

Istituto per la Ricostruzione Industriale S.p.A. (IRI)
has agreed to sell SME S.p.A.
to a consortium led by
Edizione Holding S.p.A.
(Benetton), Movenpick AG,
La Leonardo Finanziaria s.r.l.
(Luxottica) and
CREDIOP S.p.A. (co-advisor)
$1,400,000,000

Kenneth Cole Productions, Inc.
Class A Shares
$50,000,000

Lowes Companies
Senior Notes
$100,000,000

Luxottica Group S.p.A.
sold its Women's Specialty
Retailing Group to
La Leonardo Finanziaria s.r.l.
Value not disclosed

National Convenience Stores Incorporated
was acquired by
Diamond Shamrock, Inc.
$260,000,000

Nine West Group Inc.
acquired the
Footwear Business of
U.S. Shoe Corporation
$600,000,000

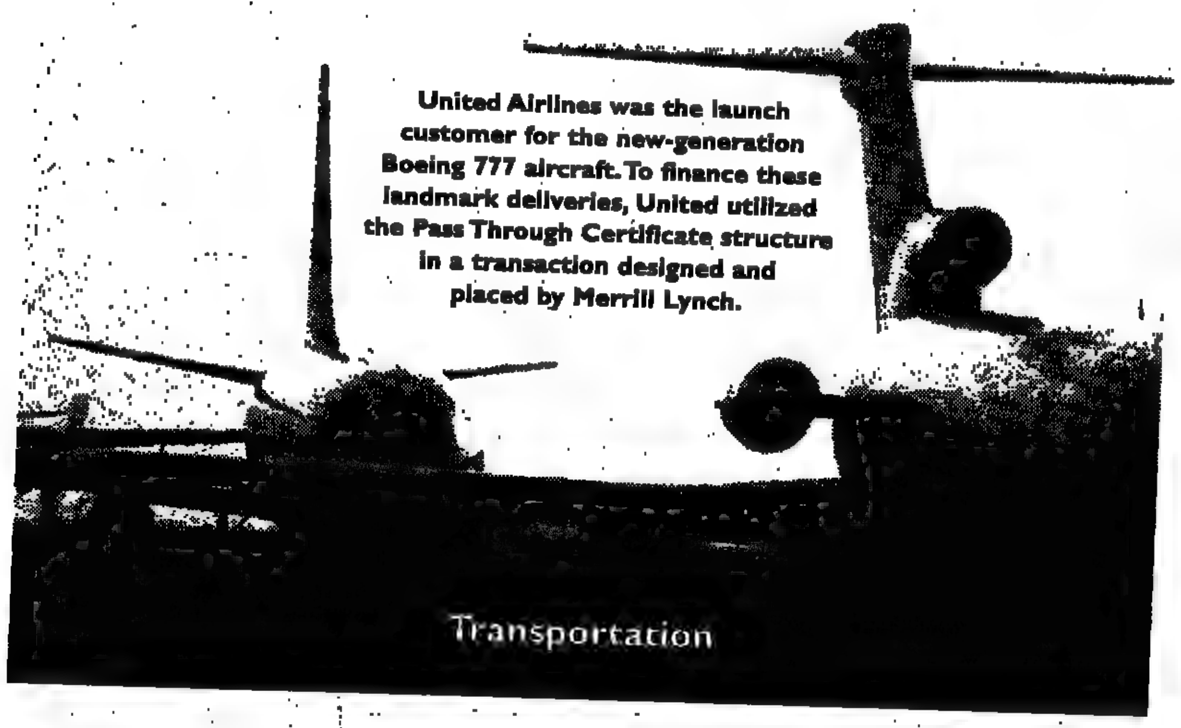
Office Depot
Common Stock
$521,000,000

Pathmark Stores, Inc.
sold the assets of its 30
free-standing drug stores
to Rite Aid Corporation
$63,600,000

J.C. Penney Company, Inc.
through its wholly owned
subsidiary
Thrift Drug, Inc. acquired
Kerr Drug Stores, Inc.
$81,000,000

Sears, Roebuck and Co.
Retail Credit Card
Securitization
$523,000,000

The Warnaco Group, Inc.
Class A Shares
$254,000,000



Alaska Air Group, Inc.
Convertible Senior Debentures
$132,000,000

Alleghany Corporation
advised on its investment in
Burlington Northern/
Santa Fe Corporation
Common Stock
$254,000,000

AMR Corporation
refinancing of special purpose
facilities at Dallas-Fort Worth
and Nashville airports
$195,000,000

Atlas Air, Inc.
Common Stock
$74,000,000

Atlas Air, Inc.
Pass Through Certificates
$100,000,000

Commonwealth Government of Australia
advised on privatization of
Qantas Airways, Ltd.
$1,100,000,000

Continental Airlines Finance Trust
Convertible TOPrS℠
$250,000,000

Continental Airlines, Inc.
advised on repurchase of 6,217,635
Series A and B Warrants
from Air Canada
$55,000,000

Federal Express Corporation
Pass Through Certificates
$123,000,000

HighwayMaster Communications, Inc.
Common Stock
$79,000,000

Iberia, Líneas Aéreas de España
valuation of Latin American
Holdings, Aerolíneas Argentinas,
VIASA and Ladeco

J.B. Hunt Transport Services, Inc.
Medium Term Notes
$150,000,000

LOT Polish Airlines
Loan Syndication
$25,000,000

Northwest Airlines, Inc.
refinancing of special purpose
facilities at Detroit and
Los Angeles airports
$193,000,000

Penske Truck Leasing Co., L.P.
Medium Term Notes
$500,000,000

Penske Truck Leasing Co.
acquired
Leaseway Transportation Corp.
$230,000,000

Rollins Truck Leasing Corp.
Collateral Trust Debentures
$150,000,000

Ryder System
Medium Term Notes
$300,000,000

Société Nationale des Chemins de Fer Belges (SNCB)
Euro Medium Term Notes
$500,000,000

United Airlines
Pass Through Certificates
$246,000,000

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At least 10% of shareholders ready to vote against Premier deal

Farnell faces potential revolt

By William Lewis and Christopher Price

Owners of at least 10 per cent of the shares in Farnell Electronics are planning to vote against a proposed £1.85bn ($2.84bn) takeover unless the company and its advisers can dissuade them ahead of an extraordinary meeting next month.

The potential revolt threatens Farnell's plans to create the world's third largest electronic component distributor through the acquisition of Premier Industrial Corporation. To go through the deal needs the support of 75 per cent of the shares voted at the extraordinary meeting. If 40 per cent of Farnell's shares are voted at the meeting, in line with other company meetings, then the proposal will fall if more than 10 per cent of the votes are against.

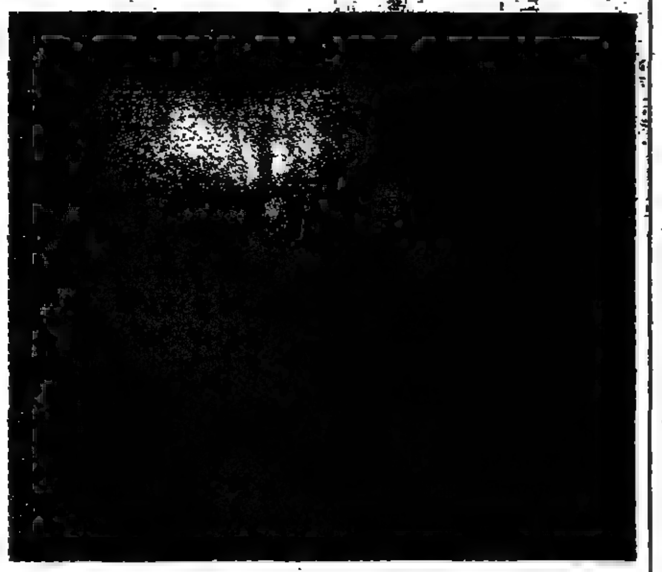
"We are highly concerned about the deal," one large institutional shareholder said yesterday. "We have asked the company to provide more information and have told them that as things stand we are minded to vote against the takeover".

None of the critical institutional shareholders said they were willing to be named.

Mr Howard Poulson, Farnell chief executive, admitted the "shock effect" of the deal had left many shareholders nervous. But he said: "When we have been to see fund managers, sometimes for the second time, they have seen the compelling industrial logic of this deal. The mood has definitley shifted in recent days."

As evidence to this, he pointed to the rise in the group's shares, which had recovered 20p – to 637p – of their 61p loss on the day of the announcement.

Farnell announced its takeover last Wednesday. It is proposing to buy a company valued at $2bn on the New York market, against its own capitalisation of £950m, while the £1.85bn price tag is at a 40 per cent premium to Premier's price. Farnell is proposing a mixture of debt, cash, shares and a rights issue to pay for the deal.



Trevor Humphries

Howard Poulson: claims mood has shifted in recent days

Some shareholders have raised concerns over the effect on earnings, seeing dilution until the end of the century. Farnell's advisers believe the deal will be earnings dilutive in the first year and neutral by year two. There are also worries about the Farnell management's ability to run such a large business.

Profits warnings increase in disturbing trend

By Philip Coggan

Two more companies, QS Holdings, the retailer, and Jones Group, the shipping and engineering company, yesterday warned of worse-than-expected figures, adding to what has been a disturbing trend in the UK results season so far.

The peak time for the reporting of full-year figures is in March and April and companies have been making statements with the aim of persuading the market to reduce over-optimistic profits forecasts.

The retailing sector has been responsible for a significant number of warnings, with groups such as W. H. Smith, J. Sainsbury and Austin Reed disappointing investors. But Mr Murray Wilson, UK strategist at NatWest Securities, points out that some retailers, such as Next and Dixons, have reported good figures, indicating that the risk in the sector is highly company-specific. "Although consumer spending has picked up, they are still pretty fussy about where they spend their money" he says.

QS Holdings, which sells discount clothing, made a first-half profits warning last July. It said that trading in the second half had been at break-even level. While sales had picked up in December, QS said this was not enough to offset disappointing autumn trading. The company does not plan a final dividend.

While Jones Group is Dublin-listed, its problems were partly caused by the weak UK construction market, which affected its radiator division.

A slowing economy, both in the UK and continental Europe, is one of the main reasons why companies seem to be having problems in maintaining the previously rapid rate of profits growth. Problems in the German housing market, for example, prompted Redland and RMC, the building materials groups, to issue warnings this month. Mr George Hodgson, UK equity strategist at SBC Warburg, says: "Whereas last year many warnings were related to margins, there's a whiff of poor volume growth about the latest statements."

One consequence of a slowing economy for some companies has been the build-up of stocks. Management may well respond by reducing production to unwind the problem, with inevitable knock-on effects on suppliers.

In spite of these problems, profits across the UK corporate sector are still growing. However, companies have damped down over-optimistic forecasts.

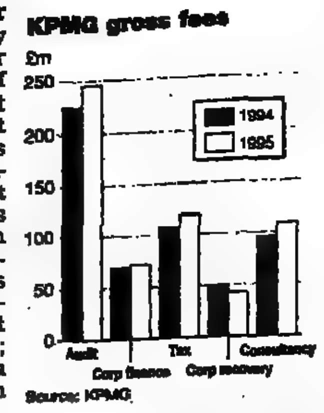
Mr Mark Brown, head of strategy and economics at ABN-Amro Hoare Govett, said: "Six to 12 months ago, expectations for profits growth were unrealistic and since last summer there has been a gradual adjustment. Our bottom-up forecasts for 1996 non-financial earnings growth, based on the predictions of individual company analysts, dropped from 16 per cent in the summer to 12 per cent at the start of the year and 9.5 per cent now."

LEX COMMENT

KPMG

KPMG deserves credit for publishing the accountancy profession's first proper report and accounts. Of course, the move is not entirely voluntary: it is part of the firm's plans to turn its audit arm into a limited liability company, to protect the personal assets of its partners. But KPMG can argue – with some justification – that greater openness should help its business. Clients will know that it is not making obscene profits; potential recruits will have a better idea of the rewards on offer.

KPMG gross fees



Source: KPMG

In the short term, however, these – unaudited – accounts reveal that times are not so good for the firm. While revenues rose 7 per cent and KPMG has a leading 25 per cent market share in its core auditing business, profits fell 28 per cent last year. Margins have been whittled down to 3 per cent, cash flow is highly seasonal and, as in most "people businesses", there is comparatively little in the way of asset backing.

Nonetheless, partners' average pay rose by a tenth to £125,000 in 1995, with a rather larger increase for Mr Colin Sharman, senior partner. Including pension contributions and profit share, the average package amounted to more than £180,000. That is broadly comparable with the remuneration of directors in companies with a similar turnover, but few companies have 565 directors.

To be fair, the risks of unlimited liability deserve a higher return. But that suggests that once the audit arm has been incorporated the audit partners should think about reducing their rewards to reflect the reduced risk.

Gehe may bid for Lloyds Chemists despite rival offer from UniChem

By Patrick Harverson

Gehe of Germany yesterday confirmed it may launch a bid for Lloyds Chemists, the UK drugs retailer which has agreed to a rival £528m offer from UniChem, Britain's leading pharmaceuticals wholesaler.

Gehe, the largest drugs wholesaler in Europe, said it had requested information from Lloyds and was "considering whether or not it wishes to make an offer". The statement followed market speculation that the German group was preparing to do battle with UniChem for Lloyds.

If Gehe does make an offer it would represent the group's second big UK bid in a year. In May, Gehe paid £400m for AAH, another UK drugs wholesaler. At the time, Mr Dieter Kämmerer, chairman of Gehe's management board, said the AAH purchase would be the last big acquisition for some time.

UniChem's agreed offer for Lloyds values its ordinary shares at 408p each, and analysts said yesterday they believed any hostile counter bid would have to be worth at least 450p to stand a chance of winning.

DIGEST

Greenalls replaces Forte in FT-SE 100

Greenalls Group, the pubs and hotels company, is replacing Forte in the FT-SE 100 index of the UK's leading companies following Granada's victory in its £3.9bn takeover battle for Forte, it was announced last night.

Vodafone Group, the mobile communications company, will take Forte's place in the FT Ordinary, or 30-share index. Forte has been a constituent of the FT 30, the oldest continuous index covering UK equities, since November 1983.

Greenalls Group is being replaced by Henlys Group in the FT-SE Mid 250 index, and Henlys also becomes a constituent of the FT-SE Actuaries Lower Yield Index.

The changes took effect after the close of stock market business yesterday.

Martin Dickson

Celltech chief has £6.2m options

Mr Peter Fellner, left, chief executive of Celltech, the biotechnology company, accumulated share options by September 1995 that would give a net profit of £6.2m ($9.54m) if exercised at yesterday's closing prices, according to the company's annual report, published yesterday. In December, he exercised 605,000 of his 1.25m options, making a net profit of £1.9m. Mr Fellner heads one of the UK's fastest-growing biotechnology companies, which employs 500 people and whose share price rose from 207p to 434p in the year to September 30. Shares closed yesterday at 683p.

He was paid a salary of £353,300 in the year to September 1995 (£341,100). The company also paid pension contributions worth £110,334 (£108,093).

Celltech made a pre-tax loss of £5.4m in 1995, compared with a £6.9m in 1994.

Daniel Green

IBM software alliance for JBA

News of an alliance with IBM lifted shares in JBA Holdings, the Birmingham-based software group, by 26p to 395p yesterday.

The two companies will work on an advanced method of developing business computer programmes in which software building blocks can be linked together.

JBA is a specialist in the technology, known as object orientation.

The project will be based in Boeblingen, Germany. Mr Steve Carter, who will lead the project from IBM's Rochester facility in the US said: "This is one of IBM's most important development projects within the software area.

Alan Cane

Ramsden's rides hot summer

Harry Ramsden's, the fish and chip shop chain which on Monday announced closer links with Compass, the contract caterer, yesterday unveiled higher full year profits despite the hot summer and soaring potato prices.

The shares firmed 8p to 319p after the Guiseley-based company announced its eighth successive pre-tax profits rise – up 21 per cent to £1.15m in the year to October 2 on turnover ahead 16 per cent at £4.33m.

The group has expanded its chain to 16 restaurants. Year end net debt totalled £1.87m for gearing of 27 per cent (19 per cent).

Tomkins completes purchase of Gates Rubber for $1.4bn

By Patrick Harverson

Tomkins clinched its first big acquisition in three years yesterday when the UK industrial conglomerate agreed to acquire Gates Rubber, the privately-owned US automotive and industrial components group, in a deal worth $1.4bn.

The UK group is paying $1.16bn for Gates, to be financed by two issues of convertible stock which will leave the Gates family as Tomkins' largest single shareholder with a 15.7 per cent stake.

Additionally, Tomkins will use existing cash reserves to pay off Gates' debts of $240m, making it the largest acquisition by Tomkins since it paid £935m for Ranks Hovis McDougall, the foods group, in late 1992.

Even after paying Gates' debts Tomkins will still have cash resources of at least £140m, but yesterday Mr Greg Hutchings, Tomkins' chairman, ruled out any other immediate deals. He said the group's policy was always to spend two to three years running a new acquisition before considering further purchases.

Mr Hutchings said the Gates' acquisition – which will be earnings enhancing – presented significant opportunities for the enlarged group.

Gates is the world's largest manufacturer of power transmission belts and industrial hoses, and in the nine months to September 30 1995 the group made pre-tax profits of $85.5m on sales of $1.18bn.

Vodafone plans to double its stake in SFR to 20%

By Paul Abrahams in Paris

Vodafone, the UK mobile telecoms group, plans to double its stake in Société Française du Radiotéléphone to 20 per cent.

Analysts said the purchase would cost Vodafone between £300m and £350m ($539.00). SFR, majority owned by Générale des Eaux, the French conglomerate, reported losses of FFr350m in 1995.

Mr Philippe Glotin, SFR president, said he expected the UK company to exercise its option to buy an additional 10 per cent in the next few months. The option expires in June.

Vodafone's interest in SFR, which holds one of two French GSM licences, has been heightened by the rapid development of the French mobile telephone market. During the past six months the number of French mobile phone subscribers has risen 46 per cent.

The move fits with Vodafone's strategy to take stakes in European mobile telephone groups. It already owns 16 per cent of E-Plus, the German group co-owned by Thyssen and Veba, and 20 per cent of a Swedish licence.

Other SFR shareholders include Southwestern Bell of the US, and Alcatel Alsthom of France. Mr Glotin said Alcatel Alsthom had given no indication it wanted sell its stake, although Mr Serge Tchuruk, Alcatel Alsthom chairman, has announced a FFr10bn disposals programme.

Bouygues in the red - Page 16

Angry shareholders press QSP chairman to resign

By Christopher Price

Angry institutional shareholders of Quality Software Products, the accountancy software group, are to press for the resignation of the chairman, and other senior management changes, amid growing dissent over Monday's profits warning.

QSP shares, which fell 218p to 490p on Monday, tumbled a further 155p yesterday to 355p, a 50 per cent drop over the two days.

Shareholders are particularly upset at the timing of the warning, coming just 10 weeks after the company, had a £15m ($23m) rights issue at 535p a share.

The shares have also now fallen below the 380p at which they were first placed in the market in March 1993.

Last night, Mr Alan Mordain, chairman, said he would consider stepping aside. "If the shareholders were to ask for my resignation, I would have to do it."

Acquisitions help Wyko recovery to continue

Wyko Group, the industrial distribution and precision engineering company, confirmed its revived fortunes by nearly trebling interim pre-tax profits with the help of acquisitions, writes Geoff Dyer.

The West Midlands-based group, which made losses in 1993 and 1994, improved pre-tax profits in the six months to October 31 from £740,000 to £2.03m. The shares rose 8p to 95p. Analysts, surprised at the speed with which the group's new management team had restored margins, up from 5.3 per cent to 7.2 per cent in the period, increased forecasts for full-year profits from £3.6m to £4.5m.

Industrial distribution, the largest division, which supplies components to manufacturing companies, doubled operating profits to £2.3m (£1.14m).

Oswald Seals, acquired in August 1994, and Olympic Chevin, which was bought in March 1995 after a £7.85m rights issue, added £970,000 to profits.

Carlton pays £5m for UK cable tv channel

By Raymond Snoddy

Carlton Communications, the television and media services group, has become the first independent television company to own a UK cable channel. It bought the cable rights to SelecTV, which delivers programmes by satellite to more than 900,000 homes.

Mr Michael Green, chairman of Carlton, who is increasingly enthusiastic about the progress of cable in the UK, is paying £5.2m for the channel.

Because owning a satellite-delivered cable channel is in breach of broadcasting rules, Carlton will deposit the SelecTV shareholding in a "dead-locked" company, in which Carlton holds 50 per cent and a merchant bank holds 50 per cent.

This means that no-one is deemed legally to have control and so gets round the restriction.

The Carlton deal is part of a £46m dismemberment of SelecTV.

Thames Television Holdings, an indirect subsidiary of Pearson, which owns the Financial Times, is paying 29p a share for SelecTV, valuing the company at about £46m.

Pearson Television said that it would acquire the programme production and distribution business of SelecTV for about £8m net of the cost of the overall transaction.

The main asset being sold by SelecTV, which yesterday announced a pre-tax loss for the six months to the end of September of £3.09m (£517,000 profit), was a 15 per cent stake in Meridian, the ITV franchise for south-east England.

The stake will go to MAI, the broadcasting and financial services company which controls Meridian, for about £27m cash. As a result, MAI's stake in Meridian will increase from 61 per cent to 76 per cent.

MAI also announced it was selling part of its stake in Village Roadshow, an Australian entertainment business, for £23m.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Adscene	6 mths to Nov 25	22.5	(11.5)	2.67	(2.12)	9.887	(8.55)	[illegible]	Apr 9	2	-	8
Birkdale	6 mths to Sept 30	6.93	(7.47)	1.15L♣	(0.142)	1.2L	(0.2)	-	-	-	-	-
Games Workshop	6 mths to Nov 26	19.5	(14.9)	3.17	(22.47)	6.6	(5.5)	2	Apr 26	1.5	-	5.2
IAF	6 mths to Dec 31	3.49	(4.02)	0.601	(0.754)	0.5	(0.62)	0.25	Apr 9	0.2	-	0.6
Key's Food	6 mths to Sept 30	13.3	(-)	2.78L♣	(-)	3.1L	(-)	-	-	-	-	-
Lorien ϕ □	Yr to Nov 26	29.1	(17.9)	0.971	(0.169)	12.1	(2.7)	3.8	Apr 29	-	3.8	-
Property Trust	6 mths to Sept 30	1.14	(1.13)	0.271	(0.254)	1.4	(1.3)	-	-	-	-	-
Ramsden's (Harry)	Yr to Oct 2	[illegible]	(3.72)	1.15	(0.95)	9	(8.2)	[illegible]	-	3.5	[illegible]	4.5
SelecTV §	6 mths to Sept 30	[illegible]	(5.51)	[illegible]	(0.517)	1.46L	(0.21)	-	-	-	-	-
Wyko	6 mths to Oct 31	[illegible]	(28.9)	2.03	(0.737)	2.74†	(1.37)	1	Apr 12	0.5	-	1.35
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Edinburgh Small	6 mths to Dec 31	110.8	(94.1)	0.218	(0.039)	0.31L	(0.05)	-	-	-	-	0.25

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♣After exceptional charge. †On increased capital. ϕAim stock. §USM stock. □Pro forma.

COMMODITIES AND AGRICULTURE

Slide in lead stocks continues

By Kenneth Gooding, Mining Correspondent

Stocks of lead in London Metal Exchange registered warehouses, already at their lowest level for more than four years, were reported yesterday to have fallen by another 3 per cent or 3,225 tonnes, to only 110,675 tonnes.

Lead's price responded by moving up by $8 a tonne to close at $720.50 for metal for delivery in three months. The market's tightness of supply has also driven lead – used mainly in batteries – into backwardation, meaning buyers were having to pay a premium for immediate delivery. The cash price closed last night at $724.50 a tonne, up $7.50.

The price started the day slightly weaker after overnight news that a tentative deal had been reached for new labour contracts at three Asarco smelters in the US that between them account for about 7 per cent of the western world's primary lead output. The existing contracts end today.

Analysts suggest that lead stocks will continue to fall in the next few months, taking them to critical levels.

Mr Angus MacMillan, research manager at Billiton Metals, a Gencor subsidiary, estimates that consumption of lead, at 4.86m tonnes, outpaced supply by 125,000 tonnes last year. He predicts consumption will rise again this year, to 4.95m tonnes, and that the supply deficit will be about 85,000 tonnes.

Aboriginal claim over bauxite lease rejected

By Nikki Tait in Sydney

An Australian federal court judge has rejected a claim by the Wik people for native title rights over a large tract of land in far north Queensland.

The land claim covers more than 35,000 sq km, including the southern part of the valuable Weipa bauxite lease held by CRA, the Australian mining group, which last year merged operationally with Britain's RTZ. It has been one of the most high-profile claims in the long struggle between Australia's aboriginal community and its mining industry over their respective land rights.

In his ruling, Justice Doug Drummond found that the granting of pastoral leases in the 19th century and mining leases at the beginning of this century had effectively extinguished the right to native title.

The Wik people had argued that, prior of 1855, the Crown had made a "promise or engagement" to preserve native title indefinitely over lands to which it granted pastoral rights. But the judge said he saw nothing in the material submitted that "gives any support for a conclusion that prior to the passing of the 1855 Imperial Act, any undertaking had been given or commitment made by, or on behalf of, the Crown for the benefit of aboriginals, which could amount to a promise or engagement of the kind relied on".

Justice Drummond's ruling was welcomed by Comalco, the listed CRA aluminium subsidiary that runs the Weipa mining operations, which said it hoped to "resolve outstanding issues [with the local aboriginal communities] through consultation rather than litigation.

However, legal counsel for the Wik people indicated that the decision would probably be appealed to the High Court, Australia's highest judicial authority.

MARKET REPORT

Copper leads LME price rally

COPPER prices held above the $2,500 level yesterday and the firmer trend filtered through to other London Metal Exchange contracts.

Traders said copper was aided by a 675-tonne fall in LME warehouse stocks, which some said might herald a series of sizeable withdrawals in coming weeks.

The cash premium over three months delivery metal moved out about $10 to $50, which prompted short-covering. But traders said prices needed to clear tough resistance around $2,520, for three months metal, to negate a bearish technical picture.

US investment fund managers burst COFFEE's bubble after London Commodity Exchange robusta futures had moved to fresh 10-week highs.

But traders believed it was only a correction to the buying which has lifted prices recently.

Compiled from Reuters

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	-1,750	to 648,825
Aluminium alloy	-1,280	to 98,620
Copper	-675	to [illegible]
Lead	-3,225	to [illegible]
Nickel	-378	to 40,710
Zinc	-5,475	to 650,700
Tin	-35	to 11,520

Chilean flower may join pest war

Alison Maitland reports on a plant that could revolutionise crop protection

Attempts to fight devastating pest damage to crops around the world could be revolutionised thanks to a yellow-flowered plant that grows in the foothills of the Chilean Andes.

The plant has been found to contain two naturally occurring insecticides that kill pests such as whiteflies and mites that are resistant to many current commercial sprays.

Leading agrochemical companies are now assessing whether the powerful compounds, known as naphthoquinones, can be produced commercially.

The breakthrough "could be the most important crop protection discovery since the Pyrethrins", said Mr Ian Harvey, chief executive of BTG, the biotechnology transfer company that funded the research and has applied for patents on the compounds.

Pyrethroid insecticides were developed in the 1960s from a relative of the chrysanthemum and account for 20 per cent of the estimated $8bn world insecticide market. Derived from plants, they are regarded as safe to humans and animals, unlike many chemically-based insecticides.

The compounds in the Chilean plant kill a range of highly damaging insects including a virulent strain of the tobacco whitefly, *Bemisia tabaci*. This strain multiplies five times faster than others, can feed off 600 different crop and weed species and transmit at least 80 viruses that harm plants.

Among these is the leaf curl virus which has reduced the cotton harvest in Pakistan by 30-40 per cent several times in the past five years.

The whitefly, which can devastate entire crops in extreme cases, has emerged in rampant form over the past decade. Its penchant for valuable ornamental plants, which are widely traded, has helped it to spread around the world.

It has severely damaged tomato, melon and vegetable harvests in central America, the Caribbean, the southern US and the Middle East.

"It's become probably the most serious pest of agriculture on a global scale," says Dr Ian Denholm, one of the scientists involved in isolating the active compounds at the UK's Institute of Arable Crops Research at Rothamsted.

The whitefly, along with strains of the two-spotted spider mite and the peach-potato aphid, are among over 500 insect species that have developed resistance to modern insecticides.

The extraordinary feature of the compounds found in the Chilean plant is that they target sap-sucking insects and are effective against the resistant strains.

"Most plants that produce biocides kill everything, including us," says Professor John Pickett of Rothamsted. "These plants seem to be very selective."

The plants were among 400 species collected by scientists from the University of Chile in a survey of plants' pesticide or pharmaceutical value. Known as *Calceolaria andina*, the plant contains up to 5 per cent of the new compounds when dried – a relatively high content, scientists say.

The Rothamsted research team is developing synthetic versions of the natural compounds in an attempt to make them even more effective and environment-friendly. Meanwhile, the Royal Botanic Gardens at Kew is investigating whether the plants could be grown as a crop for their insecticide properties, either in South America or northern Europe.

One consideration facing the agrochemical companies assessing the compounds is how best to apply them to crops to avoid building up fresh resistance in insect pests. Resistance is caused by intensive spraying, which allows those insects that survive – the resistant ones – to reproduce and become dominant.

Calceolaria Andina is a very selective killer

Early start for Lihir gold mine

By Kenneth Gooding

Lihir Gold, whose gold mine in Papua New Guinea, is destined to become one of the biggest in the world, will spend an extra US$8.7m to start up six months earlier than was planned when it was launched on the Australian stock exchange last October.

The budget previously was US$673m. By the end of December, capital expenditure of the project totalled $79.42m. The company said yesterday the mine would start processing oxide ore in July next year while the target date at flotation was January 1998. The extra cost would be offset by production of between 100,000 and 130,000 troy ounces of gold.

Although some of the processing facilities would not be completed by July, 1997, early processing of oxide ore would allow extra training and give more time for commissioning plant. In turn, this should lead to a smoother start-up when sulphide ore processing began.

The mine is expected to produce an average of 584,000 ounces of gold annually for its first 15 years in operation from one of the world's biggest deposits – more than 40m ounces.

'Question marks' hang over Oman-India gas pipeline

By Mark Nicholson in New Delhi

A senior Omani official admitted this week that there were "question marks" over the Gulf sultanate's proposed gas pipeline project to India, adding that work on the $5bn scheme would in any case not be feasible until "early in the next century".

Mr Khalifa bin Mubarak al-Hinai, the Oman oil ministry's director general of gas and petroleum industries, said the sultanate could not yet make definite supply commitments for the pipeline. It could take a further two years of "more dedicated exploration appraisals" before the country could be certain it had sufficient proven gas reserves to feed the pipeline.

The project was "not shelved", he said at a conference in New Delhi on Monday, but he added that there would have to be "more time and study to come up with a viable pipeline between the two nations."

The first of two trans-Arabian Sea pipelines was due for construction this year and for first gas deliveries in June 1999, under an initial gas supply agreement reached between the two countries in September 1994.

A twin, wide-diameter pipeline was proposed, requiring estimated investment of $5bn and designed to provide India with a total of 56m standard cubic metres of gas daily.

India has been insisting on a firm commitment from Oman that it has the requisite reserves to supply the proposed pipeline over an economically viable period – at least 25 years.

Mr al-Hinai said Oman's "proven" reserves stood at 9,000bn standard cubic feet, with a "further increase to be announced soon". "Expectation" reserves, he said, stood at 25,000bn scf, to which he said an additional 7,000bn to 15,000bn were "widely expected" to be discovered. The sultanate has, however, committed 7,000bn scf already to the country's liquefied natural gas project.

Mr al-Hinai said there also remained unsolved technological problems with the proposed pipeline, which would run undersea for 1,100km from Ras al Jifran in Oman to Rapar Gadwali on the Indian coast. Reaching a depth of 3.5km, it would be the world's deepest wide-diameter gas pipeline by a long way.

He said, engineers had not found satisfactory means of addressing repairs to the pipeline at such a depth. No remotely-operated repair vehicles had been used at such depths.

The Omani-Indian pipeline, along with another, more politically controversial, being mooted from Iran to India and passing either by or through Pakistan, are central to India's vision of meeting its accelerating energy requirements. Mr Satish Sharma, India's minister of petroleum and natural gas, told the conference India produced 55m cu m of gas daily but claimed "registered demand" already stood at 280m cu m a day.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1540-42	1570-72
Previous	1531.5-32.5	1561-62
High/low	1543/1542	1579/1570
AM Official	1541-42	1572-72.5
Kerb close		1576-8.5
Open int.	219,803	
Total daily turnover	40,829	

ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1335-40	1372-75
Previous	1330-40	1370-75
High/low	1337	1380
AM Official	1327-35	1370-71
Kerb close		1377-9
Open int.	4,718	
Total daily turnover	1,429	

LEAD ($ per tonne)

	Cash	3 mths
Close	724-5	720-1
Previous	716.5-7.5	714-5
High/low	725	727/715
AM Official	725-26	719-20
Kerb close		725-6
Open int.	34,109	
Total daily turnover	5,372	

NICKEL ($ per tonne)

	Cash	3 mths
Close	8185-95	8295-305
Previous	7970-80	8080-90
High/low		8350/8120
AM Official	8115-25	8225-30
Kerb close		8330-40
Open int.	40,749	
Total daily turnover	[illegible]	

TIN ($ per tonne)

	Cash	3 mths
Close	6145-55	6190-200
Previous	6170-80	6220-25
High/low	6155	6220-6180
AM Official	6155-60	6200-205
Kerb close		6210-20
Open int.	15,330	
Total daily turnover	5,370	

ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1027-8	1045-6
Previous	1014-15	1034-35
High/low		1053/1035
AM Official	1025-25.5	1043-44
Kerb close		1053-4
Open int.	74,555	
Total daily turnover	19,806	

COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2550-53	2502-3
Previous	2504-6	2466-67
High/low		[illegible]
AM Official	2547-48	[illegible]
Kerb close		[illegible]
Open int.	173,079	
Total daily turnover	[illegible]	

PRECIOUS METALS

Precious Metals continued

ENERGY

GRAINS AND OIL SEEDS

SOFTS

MEAT AND LIVESTOCK

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

INDICES

JOTTER PAD

CROSSWORD

No.8,981 Set by CINCINNUS

ACROSS
1 A horse led astray from the water? (6)
4 Slough produces gold in bulk (6)
8 Terribly nice day for poison (7)
9 Wise about country food (7)
11 Is art revolutionised after the queen leaves a spider plant? (10)
12 A short letter, a letter short (4)
13 A spud not a kinkajou (5)
14 Make brave old men be worried (8)
16 Expert witness starts off with audacity (8)
18 Two-way advert (5)
20 Outlaw meeting king at edge of river (4)
21 Old man given a wide berth at sea (5-5)
23 Poison from port in a storm (7)
24 It's many years since pine's been given a try (4,3)
25 Don't accept rubbish (6)
26 Home for lordly leader in social group? (6)

DOWN
1 Chump getting past in chasm (5)
2 Old invader taking his time about English (7)
3 Druid involved with blood in light opera (9)
5 Part of Oklahoma half of which is in Nebraska (5)
6 Magazine for one side of London? (7)
7 Spectacles always provided for a tourist? (9)
10 In Greek he is irreligious (9)
13 Bill carries letter in Greece – he's a poor writer (9)
15 Real bacon cooked in Spain (9)
17 Mimic has to leave the ground (4,3)
19 Father (8) Lading (7)
21 A Kipling poem was about neglected children (5)
22 Rascal assigning half the room to half the guests (5)

Solution 8,980

FUTURE FASTFOOD
RANSOM PROCEEDS
WISDEN SPEAKING
LADDIE
ALMANAC
SAMPAN
DECREASE ALWAYS
TWOEDGED SOPHIE
RESOLUTE JETSET

INTERNATIONAL CAPITAL MARKETS

Losses reversed on interest rate optimism

By Martin Brice in London and Lisa Bransten in New York

Interest rate cuts, both real and anticipated and on both sides of the Atlantic, restored some poise to government bonds yesterday after the recent sell-off.

Italian bonds were the star performers in Europe, helped by hopes of a political settlement, and the Swedish central bank surprised the markets with an interest rate cut.

■ In the US, weak retail sales figures, dejected consumers and hopes that the Federal Reserve might lower interest rates today also helped Treasuries reverse Monday's losses.

Near midday, the benchmark 30-year Treasury was ⅞ higher at 111$\frac{22}{32}$ to yield 6.030 per cent, while at the short end of the maturity spectrum the two-year note was up ⅛ at 99$\frac{31}{32}$, yielding 5.000 per cent.

Treasury prices jumped in morning trading after the Commerce Department reported retail sales up 0.3 per cent in December, making 1995 the worst year for retailers since 1991. Analysts had expected an increase closer to 0.6 per cent.

Another sign that the economy was slowing came from the Conference Board, which said its index of consumer confidence dropped 12 points to 87 in January, its lowest level in more than 18 months.

Mr Edgar Fiedler, economic counsellor at the Conference Board, said bad weather, the government shut down and a recent wave of lay-off announcements contributed to consumer pessimism.

GOVERNMENT BONDS

"It remains to be seen, however, if these factors resulted in a temporary drop in confidence that will rebound, or if the decline is a signal from consumers that slower growth is on the horizon," he said.

The market took the latter interpretation, which is good news for investors worried that inflation could erode the value of their holdings. Also, the signs of sluggish growth could spur the Fed to lower interest rates today at the conclusion of the two-day Open Market Committee meeting.

■ German government bonds were lifted by hopes of a cut in the repo rate today, with money market rates suggesting a reduction of up to 13 basis points. The yield on two-year paper fell by 7 basis points and that on 10-year paper by 4 points, with the spread between the two maturities increasing to 223 points.

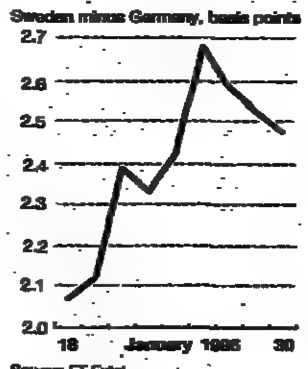
On Liffe, the March 10-year bund future closed at 100.50, up 0.44. The yield spread of 10-year bunds over US Treasuries widened from 14 to 17 basis points.

■ French government bonds were lifted by bund strength and hopes of an interest rate cut that were highlighted by a 1 per cent reduction in the Livret A, a retail saving rate.

Yields on longer-dated bonds fell by 5 basis points, while the short end saw yields fall by 15 basis points to 4.4 per cent and March Pibor rose by 0.20 to 95.43. On Matif the March 10-year future settled at 122.80, up 0.46, while the spread over 10-year bunds tightened in 4 basis points to 49.

10-yr bond yield spread

Sweden minus Germany, basis points



Source: FT Extel

Mr Iain Lindsay, senior bond analyst at Crédit Lyonnais in Paris, said the Bank of France might cut interest rates this week, possibly on Thursday.

■ Italian government bonds outperformed bunds on hopes of a solution to the domestic political problem, despite a lack of firm news. The yield spread over 10-year bunds tightened by 13 basis points to 440 points.

■ UK government bonds rose on the back of bunds as investors focused on today's auction of £3bn of the 8 per cent gilt due 2000. Mr Simon Briscoe, economist at Nikko, said he expected cover to be between 1½ and 2 times, with a tail of 2 or 3 basis points.

On Liffe the March long gilt future closed at 110¾, up $\frac{11}{32}$ while the spread over 10-year bunds was static at 169 basis points.

■ The Riksbank, the Swedish central bank, surprised traders with a 21 basis point cut in the repo rate to 8.45 per cent and yields fell along the curve. Traders said market rates suggested further cuts of between 20 and 25 basis points within a month. The yield spread over Germany on Swedish 10-year bonds tightened by 3 basis points to 248 points.

Portuguese derivative contract well received

By Peter Wise in Lisbon and Antonia Sharpe in London

Bankers Trust, which on Monday launched the first derivative contract on a Portuguese stock market index, is planning a second offering soon because of the strong investor response.

On Monday, Bankers Trust issued 1m dollar-denominated warrants based on the Portuguese Stock Index-20, which is made up of the 20 leading shares listed in Lisbon. The index was created last year as the basis for futures and options contracts on Portugal's still-unopened derivatives exchange.

The warrants, which entitle investors to any gain in the PSI-20 over the next 18 months, tapped the demand which has been building up ahead of the opening of the Oporto-based exchange.

With other banks believed to be working on similar offerings, the pressure is on the authorities to open Oporto so that business is not lost to London. The opening has been postponed several times over the past year because of technical problems and is now scheduled for April.

Mr Antonio Beck, a managing director at Bankers Trust in London, said the Luxembourg-listed warrants were sold mainly to Swiss and German institutions which believe Portugal will outperform this year after a disappointing 1995.

The exercise price of the warrants, which give the holders the right to buy one call option on the PSI-20 at a predetermined price, was fixed at Es4,259 ($27.54), the level of the PSI-20 on Monday. Yesterday the index was trading at 4,262, resulting in a small rise in the value of each warrant from $3.73 to $3.78.

Moody's puts a ceiling on Gulf sovereign ratings

By Roula Khalaf

For the cash-strapped Gulf states, financial information is a closely guarded secret and sovereign ratings have for long been considered as interference in a country's internal affairs.

So it is with some anxiety that the governments will greet the ratings assigned to them yesterday by Moody's. The US rating agency awarded Kuwait, Oman and Saudi Arabia investment grade ratings while Bahrain and Qatar were considered below investment grade. Kuwait won the highest rating and even Oman came before Saudi Arabia. Kuwait received a Baa1 rating compared with Oman's Baa2 and Saudi Arabia's Baa3.

The ratings are believed to be unsolicited, although Moody's was provided with some government information.

"The Gulf states are generally upset because the ratings were done without full access to information when the amount of information available about the Gulf is limited," said one Gulf banker yesterday. Moody's, however, said its ratings were always supported by adequate information.

The move is the result of increased competition among agencies to provide clients with ratings of banks in the Middle East. This exercise, however, first requires the establishment of an indicative rating for the country.

Technically, Moody's has assigned sovereign ceilings to financial instruments of institutions based in the countries. But agency officials said the rating would be the same for the debt of the country.

While Kuwait's rating is based on the country's strong current account position, which Moody's said mitigates the impact of persistent fiscal deficits, the agency considered that further moves to constrain public expenditure in Saudi Arabia will be limited by the difficulty of imposing a measure of austerity on a population long accustomed to a generous social safety net.

In the case of Bahrain, Moody's said concern over stability may impede progress on essential fiscal reforms. It said Qatar's gas reserves, the third largest in the world, offer great potential for long-term foreign exchange inflows but projects in the gas sector may further reduce the country's foreign assets and raise its foreign currency-denominated debt.

Until last year, rating banks in the Middle East had been the exclusive domain of Capital Intelligence, a small Cyprus-based company.

Moody's has been seeking to expand its bank rating business and last year set up an office in Cyprus to focus on this, including in the Middle East. At the same time, London-based IBCA entered into a joint venture with the International Finance Corporation and the Arab Monetary Fund to invest in local ratings agencies in Tunisia, Egypt, Jordan and Lebanon to provide ratings for corporates and banks.

Faced with the onslaught of agencies, countries in the region have tried to play them against each other. For example, according to bankers, when Moody's first approached Kuwait, it balked at the idea of a rating. It agreed to provide Moody's with some information, but invited IBCA and opened its books more generously. IBCA's A rating, released in December, was the first for a Gulf state and was two grades above Moody's. Given that Kuwait had asked for the rating and was paying for it, the rating could have been shelved had the government not liked the outcome.

Dealers kept busy by three jumbo offerings

By Conner Middelmann

Three jumbo offerings kept primary eurobond dealers busy yesterday.

After a week of pre-marketing, DePfa, Germany's largest public sector lender, saw good international demand for its seven-year Pfandbriefe – bonds backed by loans to the public sector. Almost too good, according to Mr Frank Rühl-and, DePfa treasurer, who was disappointed that only 10 to 15 per cent of the deal went to German investors. Some 35 per cent was placed with US accounts, 30 per cent stayed in Europe and 25 per cent went to Asia, he said.

INTERNATIONAL BONDS

However, "while the domestic market remains very important for us, the main objective of this issue was to get some international momentum going, and we are happy that has been achieved to such a high degree," he said.

The bonds will be priced today at a spread of 18 basis points over German government debt. Commerzbank and Morgan Stanley are joint book-runners, with UBS joint lead.

Mexico saw strong demand for its first straight dollar bonds in two years and achieved its aim of reopening the US institutional market after last year's peso crisis, with about 60 per cent of the deal placed with US investors.

After successful, retail-targeted offerings in the D-Mark and yen sectors over the past year, "this issue completes the rehabilitation of Mexico in the international capital markets," said an official at one of the joint book-runners, J.P. Morgan and Merrill Lynch.

Although it was oversubscribed, Mexico did not increase the issue, which was already larger than the planned $750m. The bonds were priced at 445 basis points over Treasuries and narrowed to 435 points by the close.

The EBRD's DM1bn of five-year bonds – its first D-Mark issue – saw strong demand in Asia, where at least half the deal was placed. The bonds were priced at 27 basis points over Bobls and remained stable throughout the day.

Cadbury Beverages Canada issued DM300m of retail-targeted five-year bonds yielding 53 basis points over bunds. The proceeds partly refinance bank loans arranged last year.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Landesbank Rheinland-Pfalz	200	5.80	99.70R	Feb.2001	0.25R	+14(5¾%-01)	Daiwa Europe
Banco de Boston(a)	110	(a1)#	99.955R	Feb.2004	1.00R	+412(5%-96)	Bank of Boston
Nankai Electric Railway(b)(d)	100	2.875	100.00	Feb.2000	2.25	-	Daiwa Europe
D-MARKS							
DePfa Bank(c)	2bn	(c1)	(c1)R	Feb.2003	0.30R	+18(7¼%-03)	Commerz/Morgan Stanley
Cadbury Beverages Canada#	300	5.125	99.59R	Feb.2001	0.30R	+53(5¾%-00)	Deutsche Morgan Grenfell
IMI Bank Intl (Cayman)‡	200	(d)	99.985	Feb.2001	0.15	-	SBC Warburg
AUSTRALIAN DOLLARS							
NSW Treasury Corp*	100	7.375	100.595	Feb.2001	1.875	-	Nomura International
Kommuninvest(f)	100	6.62#	100.00	Feb.1998	1.20	-	New Japan Securities Europe

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. *Unlisted. ‡With equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Acting with the Leasing Bank of Boston. Callable & puttable on 2/2/98, 2/2/99 & 2/2/01 at par. a1) 9¼% to 2/2/98, then 9¾% to 2/2/99, then 10½% to 2/2/01 and 11% thereafter. b) Fixing: 6/2/96. c) Oeffentliche Pfandbrief. c1) Priced today. d) 3-mth Libor +12½bp. f) Long first coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.3600	−0.440	8.17	8.19	8.41
Austria		6.500	11/05	102.1600	+0.110	6.19	6.16	6.44
Belgium		6.500	03/05	100.9500	+0.250	6.35	6.32	6.72
Canada *		8.750	12/05	111.7100	+0.390	7.07	7.12	7.35
Denmark		8.000	03/06	106.6400	+0.520	7.07	6.99	7.30
France	BTAN	7.000	10/00	106.5000	+0.500	5.39	5.40	5.91
	OAT	7.250	03/06	106.3400	+0.490	6.38	6.34	6.69
Germany Bund		6.000	01/06	100.6600	+0.450	5.88	5.83	6.10
Ireland		8.000	08/06	104.6500	+0.100	7.34	7.29	7.47
Italy		10.500	09/05	102.8900	+0.810	10.02†	10.06	10.56
Japan	No 129	6.400	03/00	117.6480	−0.260	1.80	1.74	1.35
	No 174	4.600	09/04	111.1480	−0.310	2.98	2.96	2.66
Netherlands		6.000	01/06	100.7400	+0.390	5.90	5.83	6.13
Portugal		11.875	02/05	114.3000	+0.950	9.45	9.25	9.96
Spain		10.150	01/06	102.5600	+0.160	9.53	9.39	9.90
Sweden		6.000	02/05	86.4640	+0.500	8.38	8.22	8.80
UK Gilts		8.000	12/00	105-01	+6/32	6.76	6.69	6.80
		8.500	12/05	107-11	+9/32	7.43	7.34	7.46
		9.000	10/08	111-10	+12/32	7.60	7.51	7.61
US Treasury *		5.875	11/05	101-28	+11/32	5.62	5.63	5.80
		6.875	08/25	111-16	+16/32	6.04	6.07	6.15
ECU (French Govt)		7.500	04/05	104.5600	+0.380	6.81	6.71	6.98

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.26	Two year	5.05
Prime rate	8½	Two month	5.27	Three year	5.16
Broker loan rate	7¼	Three month	5.18	Five year	5.34
Fed.funds	5$\frac{5}{8}$	Six month	5.08	10-year	5.68
Fed funds at intervention	-	One year	5.01	30-year	6.06

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	122.30	122.60	+0.46	122.90	122.28	172,363	137,699
Jun	122.78	123.30	+0.44	123.34	122.78	2,488	13,792
Sep	121.56	122.10	+0.44	122.18	121.56	317	2,186

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
120	-	-	-	0.12	0.57	-
121	2.02	-	-	0.21	0.84	-
122	1.28	-	-	0.44	1.14	-
123	0.70	1.81	1.87	0.84	1.47	-
124	0.30	1.27	1.26	-	2.01	-

Est. vol. total, Calls 18,232 Puts 1,554 . Previous day's open int., Calls 182,616 Puts 162,037

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.98	100.48	+0.42	100.53	99.97	200982	240066
Jun	99.53	99.74	+0.42	99.74	99.50	1075	10636

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
10000	0.88	0.74	0.96	1.16	0.40	1.00	1.22	1.42
10050	0.57	0.52	0.73	0.93	0.59	1.28	1.51	1.69
10100	0.34	0.36	0.56	0.73	0.86	1.61	1.82	1.99

Est. vol. total, Calls 29719 Puts 19305. Previous day's open int., Calls 230087 Puts 188934

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110.63	111.95	+1.43	112.08	110.63	59776	63432
Jun	110.50	111.49	+1.42	111.50	110.50	64	2829

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11150	1.35	2.39	0.90	2.40
11200	1.06	2.15	1.13	2.66
11250	0.85	1.92	1.40	2.93

Est. vol. total, Calls 7043 Puts 3785. Previous day's open int., Calls 79900 Puts 69940

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	95.57	96.75	+1.25	96.92	95.50	104,719	46,985
Jun	95.75	96.10	+0.45	95.75	95.75	2	1

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110-17	110-28	+0-11	110-31	110-12	64257	140506
Jun	109-29	110-05	+0-11	109-29	109-29	143	1349

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
110	1-28	1-28	1-48	2-04	0-36	1-16	1-38	1-58
111	0-55	0-61	1-19	1-35	0-63	1-51	2-09	2-26
112	0-29	0-39	0-59	1-10	1-37	2-29	2-49	3-00

Est. vol. total, Calls 5400 Puts 943. Previous day's open int., Calls 28787 Puts 27127

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	91.04	91.42	+0.38	91.44	91.04	2,027	8,940

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	119-31	120-10	+0-13	120-15	119-26	236,351	333,827
Jun	119-13	119-28	+0-13	120-01	119-13	3,158	32,015
Sep	119-05	119-10	+0-12	119-12	119-05	273	6,033

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	119.87			119.91	119.78	2835	0
Jun	118.34			118.42	118.30	865	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Jan 30	Day's change %	Mon Jan 29	Accrued interest	xd adj. ytd		Low coupon yield Jan 30	Jan 29	Yr. ago	Medium coupon yield Jan 30	Jan 29	Yr. ago	High coupon yield Jan 30	Jan 29	Yr. ago
1 Up to 5 years (22)	123.97	+0.06	123.90	2.80	0.12	5 yrs	6.85	6.87	8.55	6.89	6.91	8.56	6.95	5.96	8.74
2 5-15 years (21)	151.40	+0.16	151.16	2.88	0.00	15 yrs	7.67	7.69	8.46	7.70	7.73	8.56	7.79	7.81	8.60
3 Over 15 years (8)	167.24	+0.23	166.87	2.64	1.02	20 yrs	7.78	7.80	8.43	7.80	7.82	8.56	7.86	7.87	8.72
4 Irredeemables (6)	192.33	+0.06	192.22	2.44	0.00	Irred.†	7.87	7.87	8.50						
5 All stocks (57)	145.90	+0.14	145.70	2.84	0.21										

Index-linked							Inflation 5% Jan 30	Jan 29	Yr. ago	Inflation 10% Jan 30	Jan 29	Yr. ago
6 Up to 5 years (1)	198.31	+0.04	198.23	2.55	0.00	Up to 5 yrs	2.45	2.46	3.81	1.21	1.21	2.52
7 Over 5 years (11)	189.36	+0.06	189.26	1.24	0.00	Over 5 yrs	3.56	3.56	3.89	3.36	3.36	3.69
8 All stocks (12)	189.46	+0.06	189.33	1.26	0.00							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 30	Jan 29	Jan 26	Jan 25	Jan 24	Yr ago	High*	Low*
Govt. Secs. (UK)	95.58	95.46	95.62	95.99	96.15	91.33	96.34	90.22
Fixed Interest	114.12	114.27	114.57	114.91	114.73	109.57	115.23	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 29	Jan 26	Jan 25	Jan 24	Jan 23
Gilt Edged bargains	94.5	97.4	82.3	84.1	98.7
5-day average	93.4	93.6	94.5	96.4	99.3

UK GILTS PRICES

Notes	Yield Int	Red	Price £	+ or −	52 week High	Low
Shorts* (Lives up to Five Years)						
15¼pc 1996‡‡	14.91	6.02	102$\frac{5}{16}$	−$\frac{1}{16}$	108¼	102$\frac{5}{16}$
Exch 13¼pc 1996‡‡	12.99	6.07	102	−$\frac{1}{16}$	106$\frac{17}{32}$	102
Conversion 10pc 1996	9.70	5.93	103$\frac{1}{16}$		104$\frac{13}{32}$	103$\frac{1}{16}$
Treas 13¼pc 1997‡‡	12.40	5.91	106⅞	−$\frac{1}{16}$	109$\frac{23}{32}$	106⅞
Exch 10½pc 1997	10.04	5.92	104$\frac{9}{16}$		105$\frac{13}{32}$	104$\frac{1}{16}$
Treas Cnv 7pc 1997‡‡	6.91	6.04	101$\frac{3}{32}$		101$\frac{19}{32}$	97$\frac{1}{16}$
Treas 8¾pc 1997‡‡	8.42	6.07	103$\frac{29}{32}$		104$\frac{5}{16}$	100$\frac{1}{16}$
Exch 15pc 1997	13.11	6.14	114$\frac{7}{16}$		117$\frac{1}{4}$	114$\frac{3}{8}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield Int	Red	Price £	+ or −	52 week High	Low
Treas 8½pc 2005‡‡	7.92	7.43	107$\frac{5}{16}$	+$\frac{1}{16}$	108$\frac{13}{16}$	97⅞
7½pc 2006‡‡	7.48	7.44	100$\frac{3}{8}$	+$\frac{1}{16}$	101$\frac{13}{16}$	96$\frac{13}{32}$
7¾pc 2006‡‡	7.56	7.48	101$\frac{15}{32}$	+$\frac{1}{16}$	102$\frac{7}{16}$	92¾
8pc 2002-6‡‡	7.78	7.59	102$\frac{7}{8}$	+$\frac{1}{16}$	[illegible]	[illegible]
Treas 11¾pc 2003-7	9.48	7.29	123$\frac{27}{32}$	+$\frac{1}{16}$	125$\frac{3}{16}$	113$\frac{3}{16}$
Treas 8½pc 2007‡‡	7.92	7.53	107$\frac{3}{16}$	+$\frac{1}{16}$	108$\frac{11}{32}$	97$\frac{11}{16}$
13½pc 2004-8	9.85	7.37	137	+$\frac{1}{16}$	138$\frac{13}{32}$	126$\frac{1}{16}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Index-Linked Notes	(b)	Yield (1)	(2)	Price £	+ or −	52 week High	Low
2pc '96	(67.9)	-	2.13	215$\frac{13}{16}$	+$\frac{1}{16}$	[illegible]	[illegible]
4⅝pc '98‡‡	(135.6)	1.21	2.45	113$\frac{3}{8}$	+$\frac{1}{16}$	[illegible]	[illegible]
2½pc '01	(78.3)	2.82	3.32	179¾	+$\frac{1}{16}$	[illegible]	[illegible]
2½pc '03	(78.8)	3.02	3.41	175⅞	+$\frac{1}{16}$	[illegible]	[illegible]
4⅜pc '04‡‡	(135.6)	3.04	3.39	116¾	+$\frac{1}{16}$	[illegible]	[illegible]
2pc '06	(69.5)	3.17	3.44	184$\frac{1}{4}$	+$\frac{1}{16}$	[illegible]	[illegible]
2½pc '09	(78.8)	3.29	3.50	166$\frac{3}{4}$	+$\frac{1}{16}$	[illegible]	[illegible]
2½pc '11	(74.6)	3.32	3.53	172¾	+$\frac{1}{16}$	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for May 1995: 149.7 and for December 1995: 150.7.

Other Fixed Interest

[illegible]

● "Tap stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on January 30

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99¾	99⅞	+⅛	5.26
Abbey Natl Treasury 6½ 03	1000	102⅝	102⅞	+⅛	6.04
ABN Amro Bank 7¼ 05	1000	107⅛	107½	+¼	6.33
African Dev Bk 7¾ 23	500	105⅝	107¼	+¼	6.89
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid	Offer	Chg.	Yield
Sweden 8 97	2500	107	107¼		3.81
United Kingdom 7¼ 97	5500	105⅝	105¾	−⅛	3.72
Volkswagen Intl Fin 7 03	1000	104⅞	105⅜	+⅛	6.15
World Bank 0 15	2000	30¼	30⅝	−¼	6.17
World Bank 5¼ 03	3000	100⅞	101	+¼	5.73
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	101½	101⅞	+⅛	7.71
Alliance Leics 11¼ 97 £	100	105¼	105⅝	−⅛	6.46
British Land 8⅞ 23 £	150	93½	94⅛	+⅛	9.77
Denmark 6¼ 98 £	800	100¼	100½		6.62
EIB 8 03 £	1000	102¼	103	+⅛	7.49
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS — [illegible]

CURRENCIES AND MONEY

MARKETS REPORT

All eyes on the FOMC

By Gillian Tett, Economics Correspondent

The attention of the markets was split yesterday between the US and Europe.

In the US dealers watched anxiously to see whether the Federal Open Markets Committee would cut US interest rates or not.

In Europe, however, the markets were again convulsed by the future for European growth and monetary union, following the announcement of a German economic package to stimulate growth.

But in spite of this extensive debate, actual trading was relatively steady, with only limited movement in the currencies themselves.

■ The dollar drifted upwards during the day against most currencies, amid a background of speculation about the US economy.

During the day figures were released showing that US retail sales were weaker than expected in December, with a monthly rise of only 0.3 per cent. A recent consumer confidence survey was also disappointing, showing worsening sentiment.

This disappointing data lead some observers to conclude that a US rate cut was now more likely.

But with the markets now watching the FOMC meeting, most traders shrugged off the data.

Consequently, the dollar closed at DM1.4899 in London, compared with DM1.4859 at the previous day's finish. Against the yen, however, it strengthened more: by the end of London trading it was at Y107.25, compared with Y106.6.

Meanwhile, it also rose slightly against sterling, ending at $1.5043, compared with $1.5079 at the previous day.

■ In Europe, the markets were convulsed by fresh debates about the prospects for growth in the continent, fuelled by the announcement that Germany and France had both agreed on measures to stimulate their economies.

In Bonn, the German government announced a 50 point plan aimed at spurring job creation by stimulating investment and growth. The package included cuts in taxes and non-wage labour costs in order to halve unemployment by 2000 from the current rate of near 10 percent.

Meanwhile in Paris a host of French banks reduced their lending rates slightly. This was triggered by a fall in the popular savings rate to 3.50 per cent from 4.50 percent.

These two measures were accompanied by further pledges from European leaders that they would meet the targets for a single European currency.

Indeed, French Finance Minister Jean Arthuis insisted that the slowdown in European growth was only "temporary".

"The German and French finance ministers have exchanged views to have a clearer picture of the economic situation in our two countries. The diagnosis is the same: we have witnessed a slowdown in growth since the middle of 1995," Arthuis said.

"We (both) believe that this slowdown is temporary and that a rebound in growth must be expected from the end of the first half of this year," he said.

Nevertheless, this announcement was met with a degree of cynicism from the markets, and it had little impact on actual exchange rates.

"The list of German proposals is still rather vague and will do little for jobs," said Holger Fahrinkrug at UBS in Frankfurt.

"It is a package of supply-side measures which could be quite positive for companies but is unlikely to feed through much into the jobs market," he added.

Consequently, the D-Mark moved in a fairly narrow range during the day, weakening only slightly against the dollar.

The French franc, which has been weakening over the last month, also showed only limited movement.

Against the dollar it closed at FFr5.1185, compared with FFr5.1065 the previous day.

Against sterling it closed at FFr7.6998, compared with FFr7.7001 the previous day.

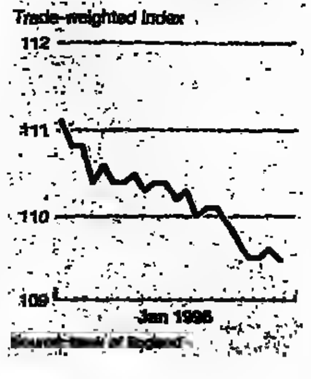
One reason for this lack of movement was a widespread expectation that the Bundesbank will lower the repo rate today, as a possible prelude to further German rate cuts.

Most observers think the reduction will be 10 basis points, although some think it could be more.

"I still think the repo rate will go down about 10 basis points, but given the market situation I wouldn't rule out the possibility of a stronger decline," another dealer said.

France

Trade-weighted index



Source: Bank of England

■ **Pound in New York**

Jan 30	Latest	Prev. close
£ spot	1.5045	1.5085
1 mth	1.5034	1.5055
3 mth	1.5013	1.5036
1 yr	1.4908	1.4928

■ **OTHER CURRENCIES**

Jan 30	£	$
Czech Rp	40.8075 - 41.0250	27.2000 - 27.2300
Hungary	213.616 - 213.832	142.050 - 142.100
Iran	4514.40 - 4517.40	3000.00 - 3000.00
Kuwait	0.4502 - 0.4507	0.2994 - 0.2995
Poland	3.8347 - 3.8402	2.5500 - 2.5520
Russia	7113.19 - 7108.97	4727.00 - 4728.00
U.A.E.	5.5238 - 5.5273	3.6727 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jan 30		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7598	+0.0041	497 - 698	15.7696	15.6955	15.7157	3.3	15.6717	2.2	-	-	108.2
Belgium	(BFr)	46.1068	+0.0555	614 - 522	46.1590	45.8090	46.0018	2.7	45.7968	2.7	44.9568	2.5	108.4
Denmark	(DKr)	8.6741	+0.0006	693 - 789	8.6811	8.6381	8.6606	1.8	8.6366	1.7	8.5389	1.6	109.3
Finland	(FM)	6.8721	+0.0058	661 - 781	6.8950	6.8410	6.8677	0.8	6.8596	0.7	-	-	85.5
France	(FFr)	7.6998	-0.0003	957 - 039	7.7063	7.6694	7.6888	1.7	7.6691	1.6	7.5894	1.4	109.5
Germany	(DM)	2.2412	+0.0007	399 - 425	2.2439	2.2309	2.2365	2.7	2.2269	2.7	2.1829	2.6	110.6
Greece	(Dr)	371.837	+0.211	439 - 836	373.235	369.085	-	-	-	-	-	-	65.7
Ireland	(I£)	0.9643	-0.0005	633 - 652	0.9656	0.9631	0.9634	1.1	0.9621	0.9	0.9563	0.8	97.9
Italy	(L)	2406.88	-3.29	931 - 845	2412.88	2398.72	2414.03	-3.6	2428.78	-3.6	2487.38	-3.4	72.9
Luxembourg	(LFr)	46.1068	+0.0555	614 - 522	46.1590	45.8090	46.0018	2.7	45.7968	2.7	44.9568	2.5	108.4
Netherlands	(Fl)	2.5093	-0.0009	077 - 109	2.5133	2.4964	2.503	3.0	2.4904	3.0	2.4398	2.8	108.5
Norway	(NKr)	9.8164	-0.0017	082 - 245	9.8515	9.7858	9.8063	1.2	9.7848	1.3	9.7036	1.1	96.7
Portugal	(Es)	232.708	-0.421	563 - 853	233.063	231.524	233.133	-2.2	234.036	-2.3	-	-	95.5
Spain	(Pta)	189.482	-0.463	344 - 620	189.651	189.162	189.892	-2.6	190.757	-2.7	194.212	-2.5	81.9
Sweden	(SKr)	10.4783	-0.0580	677 - 889	10.5256	10.4413	10.4803	-0.2	10.4837	-0.2	10.4968	-0.2	86.5
Switzerland	(SFr)	1.8255	+0.0017	241 - 269	1.8283	1.8144	1.8192	4.1	1.8061	4.2	1.7532	4.0	114.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.1
Ecu	-	1.2232	-0.003	223 - 240	1.2249	1.2197	1.2216	1.4	1.219	1.4	1.2074	1.3	-
SDR†	-	1.03460	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5041	-0.0036	035 - 046	1.5093	1.5021	-	-	-	-	-	-	-
Brazil	(R$)	1.4713	-0.0041	707 - 718	1.4764	1.4695	-	-	-	-	-	-	-
Canada	(C$)	2.0735	-0.007	722 - 744	2.0811	2.0703	2.072	0.8	2.0696	0.7	2.0617	0.6	83.7
Mexico	(New Peso)	11.0521	-0.0693	409 - 633	11.1489	11.0357	-	-	-	-	-	-	-
USA	($)	1.5043	-0.0038	038 - 048	1.5096	1.5025	1.5033	0.8	1.5018	0.6	1.4911	0.9	96.9
Pacific/Middle East/Africa													
Australia	(A$)	2.0281	-0.0096	267 - 294	2.0451	2.0247	2.0299	-1.1	2.0337	-1.1	2.0545	-1.3	87.8
Hong Kong	(HK$)	11.6328	-0.0286	281 - 374	11.6739	11.6173	11.6269	0.6	11.6178	0.5	11.5891	0.4	-
India	(Rs)	54.2827	+0.0612	270 - 383	54.4240	54.2220	-	-	-	-	-	-	-
Israel	(Shk)	4.7263	-0.0104	209 - 317	4.7348	4.7208	-	-	-	-	-	-	-
Japan	(Y)	161.338	+0.084	207 - 468	161.530	160.580	160.891	3.3	159.091	5.6	152.958	5.2	135.2
Malaysia	(M$)	3.8500	-0.008	479 - 520	3.8628	3.8462	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2491	-0.0061	475 - 507	2.2597	2.2459	2.2525	-1.8	2.2609	-2.1	2.2985	-2.0	108.2
Philippines	(Peso)	39.3932	-0.0723	575 - 288	39.4290	39.3583	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6420	-0.0134	399 - 441	5.6615	5.6347	-	-	-	-	-	-	-
Singapore	(S$)	2.1369	-0.0021	354 - 383	2.1424	2.1340	-	-	-	-	-	-	-
South Africa	(R)	5.4956	-0.0147	926 - 985	5.5123	5.4901	-	-	-	-	-	-	-
South Korea	(Won)	1180.65	-0.41	018 - 112	1187.07	1179.16	-	-	-	-	-	-	-
Taiwan	(T$)	41.3914	-0.1146	159 - 469	41.4901	41.2902	-	-	-	-	-	-	-
Thailand	(Bt)	38.1265	-0.0637	063 - 467	38.2420	38.0630	-	-	-	-	-	-	-

† Rates for Jan 29 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 30		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.4781	+0.0277	733 - 789	10.4880	10.4060	10.4606	1.6	10.4286	1.8	10.3081	1.8	106.2
Belgium	(BFr)	30.6500	+0.11	300 - 700	30.6700	30.4550	30.598	2.0	30.4975	2.0	30.135	1.7	108.2
Denmark	(DKr)	5.7662	+0.0142	649 - 675	5.7725	5.7238	5.7612	1.0	5.7517	1.0	5.7737	-0.1	108.6
Finland	(FM)	4.5683	+0.0147	658 - 708	4.5832	4.5349	4.5633	1.3	4.5546	1.2	4.5258	0.9	84.9
France	(FFr)	5.1185	+0.012	175 - 195	5.1260	5.0865	5.1145	0.9	5.1082	0.8	5.069	0.8	109.0
Germany	(DM)	1.4899	+0.004	895 - 902	1.4915	1.4790	1.4876	1.9	1.4827	1.9	1.464	1.7	110.1
Greece	(Dr)	247.050	+0.73	000 - 100	247.520	244.780	248.725	-8.1	251.975	-8.0	266.3	-8.0	66.3
Ireland	(I£)	1.5601	-0.0029	591 - 611	1.5646	1.5575	1.5606	-0.3	1.5611	-0.2	1.5571	0.2	-
Italy	(L)	1600.00	-0.35	950 - 050	1602.50	1593.85	1606.85	-5.1	1618.9	-4.7	1677	-4.8	72.2
Luxembourg	(LFr)	30.6500	+0.11	300 - 700	30.6700	30.4550	30.596	2.0	30.51	1.8	30.205	1.5	108.2
Netherlands	(Fl)	1.6681	+0.0034	676 - 686	1.6725	1.6561	1.665	2.2	1.6586	2.3	1.6355	2.0	106.0
Norway	(NKr)	6.5256	+0.0145	223 - 288	6.5495	6.4831	6.5233	0.4	6.5151	0.6	6.4961	0.4	97.9
Portugal	(Es)	154.695	+0.09	650 - 740	155.000	153.940	155.07	-2.9	155.84	-3.0	159.445	-3.1	95.4
Spain	(Pta)	125.960	-	910 - 010	126.050	125.650	126.355	-3.8	127.08	-3.6	130.58	-3.7	81.3
Sweden	(SKr)	6.9656	-0.0224	608 - 703	6.9825	6.9265	6.9827	-2.9	7.0121	-2.7	7.1496	-2.6	84.6
Switzerland	(SFr)	1.2135	+0.004	130 - 140	1.2147	1.2040	1.2101	3.4	1.2029	3.5	1.1754	3.1	113.5
UK	(£)	1.5043	-0.0036	038 - 048	1.5096	1.5023	1.5033	0.8	1.5013	0.8	1.4911	0.9	82.6
Ecu	-	1.2299	+0.0001	294 - 303	1.2305	1.2282	1.2302	-0.3	1.2306	-0.2	1.2312	-0.1	-
SDR†	-	0.68650	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 999	0.9999	0.9996	-	-	-	-	-	-	-
Brazil	(R$)	0.9781	-0.0004	780 - 781	0.9783	0.9780	-	-	-	-	-	-	-
Canada	(C$)	1.3783	-0.0013	780 - 785	1.3805	1.3765	1.3788	-0.1	1.3798	-0.1	1.3836	-0.4	82.6
Mexico	(New Peso)	7.3470	-0.042	420 - 520	7.3570	7.3420	7.3493	-0.4	7.3525	-0.3	7.3573	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3481	-0.0033	477 - 486	1.3486	1.3477	1.3501	-1.8	1.3538	-1.8	1.3723	-1.8	88.3
Hong Kong	(HK$)	7.7330	-0.0005	325 - 335	7.7348	7.7320	7.7337	-0.1	7.7355	-0.1	7.7625	-0.4	-
India	(Rs)	36.0850	+0.14	600 - 100	36.1100	35.9700	36.235	-5.0	36.54	-5.0	38.01	-5.3	-
Israel	(Shk)	3.1419	+0.0006	393 - 444	3.1444	3.1381	-	-	-	-	-	-	-
Japan	(Y)	107.250	+0.65	200 - 300	107.450	106.630	106.765	5.4	105.95	4.9	102.565	4.3	137.5
Malaysia	(M$)	2.5593	+0.0008	588 - 598	2.5600	2.5585	2.5602	-0.4	2.5665	-1.1	2.5895	-1.2	-
New Zealand	(NZ$)	1.4950	-0.0018	945 - 957	1.4957	1.4945	1.4981	-2.5	1.5039	-2.4	1.5285	-2.2	-
Philippines	(Peso)	26.1870	+0.0145	720 - 020	26.2020	26.1720	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 507	3.7507	3.7504	3.751	-0.1	3.7517	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4205	+0.002	200 - 210	1.4210	1.4180	1.417	3.0	1.411	2.7	1.3855	2.5	-
South Africa	(R)	3.6530	-0.001	525 - 540	3.6540	3.6512	3.6621	-3.4	3.7336	-3.8	3.9568	-3.3	-
South Korea	(Won)	784.850	+1.6	800 - 900	786.400	782.400	787.85	-4.6	791.35	-3.3	809.85	-3.2	-
Taiwan	(T$)	27.4755	-0.0105	730 - 780	27.4960	27.4700	27.4955	-0.9	27.5355	-0.9	-	-	-
Thailand	(Bt)	25.3450	+0.005	400 - 500	25.3500	25.3320	25.4437	-4.7	25.6475	-4.8	26.55	-4.7	-

† SDR rate per $ for Jan 29. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 29: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 30	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅜	3½	3⅜	3⅜	3⅜	7.00	3.00	-
week ago	3¾	3½	3⅜	3⅜	3⅜	7.00	3.00	-
France	4⅛	4⅝	4½	4½	4½	4.20	-	5.80
week ago	4¾	4⅝	4⅝	4⅝	4⅝	4.20	-	5.80
Germany	3⅜	3⅜	3⅜	3⅜	3⅜	5.00	3.00	3.55
week ago	3½	3⅜	3⅜	3⅜	3⅜	5.00	3.00	3.65
Ireland	5⅜	5⅜	[illegible]	5⅝	5½	-	-	6.25
week ago	5⅜	5⅜	5⅜	5¾	5½	-	-	6.25
Italy	10	9⅞	9¾	9¾	9½	-	9.00	9.96
week ago	10	9⅞	9⅞	9⅞	9¾	-	9.00	10.48
Netherlands	3⅜	3⅜	3⅜	3⅜	3⅜	-	3.00	3.30
week ago	3⅜	3⅜	3⅜	3⅜	3⅜	-	3.00	3.30
Switzerland	1¾	1¾	1¾	1¾	1¾	5.00	1.50	-
week ago	1¾	1¾	1¾	1¾	1¾	5.00	1.50	-
US	5½	5⅜	5¼	5⅛	5⅛	-	5.25	-
week ago	5⅜	5⅜	5⅜	5¼	5⅜	-	5.25	-
Japan	⅝	⅝	½	⅝	⅝	-	0.50	-
week ago	⅝	⅝	⅝	⅝	⅝	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5½	5⅜	5¼	5⅛	-	-	-
week ago	-	5½	5½	5⅜	5⅜	-	-	-
US Dollar CDs	-	5.23	5.19	5.12	4.99	-	-	-
week ago	-	5.23	5.23	5.14	4.99	-	-	-
ECU Linked Ds	-	4¾	4⅝	4⅝	4⅝	-	-	-
week ago	-	4¾	4⅝	4⅝	4⅝	-	-	-
SDR Linked Ds	-	3⅝	3⅝	3⅝	3⅝	-	-	-
week ago	-	3⅝	3⅝	3⅝	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 30	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅜ - 3½	3⅜ - 3½	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼
Danish Krone	4⅛ - 3⅞	4⅜ - 4¼	4⅜ - 4¼	4⅜ - 4¼	4⅜ - 4¼	4⅜ - 4¼
D-Mark	3½ - 3⅜	3⅜ - 3⅜	3½ - 3⅜	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼
Dutch Guilder	3⅜ - 3¼	3¼ - 3⅛	3⅜ - 3¼	3⅛ - 3	3⅛ - 3	3⅛ - 3
French Franc	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½
Portuguese Esc.	8½ - 8	8⅜ - 8¼	8¼ - [illegible]	8¼ - 8⅛	8¼ - 8⅛	8¼ - 8⅛
Spanish Peseta	10⅜ - 10⅛	9⅜ - 9⅛	9½ - 8⅞	9⅛ - 8⅞	8⅞ - 8⅝	8⅝ - 8⅜
Sterling	6⅜ - 6⅛	6⅜ - 6⅛	6⅜ - 6¼	6¼ - 6⅛	6⅛ - 6	6⅛ - 6
Swiss Franc	2⅛ - 2½	1⅞ - 1¾	1⅞ - 1¾	1⅞ - 1¾	1⅞ - 1¾	1⅞ - 1¾
Can. Dollar	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½
US Dollar	5⅝ - 5½	5⅝ - 5⅜	5⅝ - 5⅜	5⅜ - 5¼	5⅜ - 5⅛	5⅛ - 5
Italian Lira	10⅜ - 9⅞	10⅛ - 10	10 - 9⅞	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝
Yen	⅝ - ½	⅝ - ½	⅝ - ½	½ - ⅜	½ - ⅜	⅝ - ½
Asian $Sing	2⅛ - 2⅛	2⅜ - 2⅛	2⅝ - 2½	2⅝ - 2½	2¾ - 2⅝	3 - 2⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.22	95.43	+0.20	95.44	95.23	46,229	53,997
Jun	95.51	95.65	+0.14	95.65	95.51	[illegible]	52,141
Sep	95.56	95.69	+0.09	95.70	95.56	4,256	40,662

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.69	96.74	+0.06	96.76	96.69	33522	173689
Jun	96.78	96.84	+0.08	96.86	96.77	31370	176894
Sep	96.68	96.78	+0.10	96.82	96.69	26448	181534
Dec	96.50	96.59	+0.11	96.63	96.50	25542	160686

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.31	90.44	+0.14	90.44	90.30	11350	48082
Jun	90.82	90.96	+0.15	90.97	90.81	4736	29579
Sep	91.11	91.26	+0.15	91.25	91.11	1148	15967
Dec	91.22	91.35	+0.13	91.35	91.22	672	9590

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.00	98.12	+0.06	98.15	98.00	6814	24754
Jun	98.00	98.10	+0.11	98.13	97.98	6683	20069
Sep	97.90	98.01	+0.12	98.04	97.89	2048	10207
Dec	97.71	97.81	+0.11	97.82	97.71	1327	4809

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.29	95.36	+0.10	95.37	95.28	1405	6979
Jun	95.48	95.52	+0.08	95.53	95.48	815	4938
Sep	95.48	95.52	+0.07	95.52	95.48	150	2903
Dec	95.34	95.43	+0.08	95.44	95.34	170	2359

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9025	0.56	0.88	1.30	0.17	0.17	0.29
9050	0.21	0.70	1.09	0.27	0.24	0.33
9075	0.12	0.54	0.91	0.43	0.33	0.40

Est. vol. total, Calls 994 Puts 270. Previous day's open int., Calls 19049 Puts 16795

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 30		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.82	16.70	4.861	2.091	5221	5.443	21.28	504.8	410.8	22.71	3.969	2.169	4.497	3.262	349.8	2.653
Denmark	(DKr)	53.15	10	8.876	2.584	1.111	2775	2.893	11.32	268.3	218.4	12.07	2.104	1.153	2.390	1.734	186.0	1.410
France	(FFr)	59.88	11.27	10	2.911	1.252	3126	3.259	12.75	302.2	246.0	13.60	2.370	1.299	2.693	1.954	209.5	1.589
Germany	(DM)	20.57	3.871	3.436	1	0.430	1074	1.120	4.380	103.8	84.52	4.672	0.814	0.446	0.925	0.671	71.98	0.546
Ireland	(I£)	47.82	8.998	7.987	2.326	1	2497	2.603	10.18	241.4	196.5	10.86	1.893	1.037	2.150	1.560	167.3	1.269
Italy	(L)	1.915	0.360	0.320	0.093	0.040	100.	0.104	0.408	9.668	7.869	0.435	0.076	0.042	0.086	0.062	6.701	0.051
Netherlands	(Fl)	18.37	3.457	3.069	0.893	0.384	959.5	1	3.912	92.75	75.49	4.173	0.727	0.399	0.826	0.599	64.29	0.487
Norway	(NKr)	46.96	8.837	7.843	2.283	0.982	2452	2.559	10	237.1	193.0	10.67	1.859	1.019	2.112	1.532	164.3	1.246
Portugal	(Es)	19.81	3.728	3.309	0.963	0.414	1034	1.078	4.218	100.	81.39	4.499	0.784	0.430	0.891	0.646	69.32	0.526
Spain	(Pta)	24.34	4.580	4.065	1.183	0.509	1271	1.325	5.183	122.9	100.	5.528	0.964	0.528	1.095	0.794	85.16	0.646
Sweden	(SKr)	44.03	8.285	7.353	2.140	0.921	2299	2.396	9.375	222.3	180.9	10	1.743	0.955	1.980	1.436	154.1	1.168
Switzerland	(SFr)	25.26	4.753	4.219	1.228	0.528	1319	1.375	5.379	127.5	103.8	5.737	1	0.548	1.136	0.824	88.39	0.670
UK	(£)	46.10	8.674	7.699	2.241	0.964	2407	2.509	9.816	232.7	189.4	10.47	1.825	1	2.073	1.504	161.3	1.223
Canada	(C$)	22.24	4.184	3.714	1.081	0.465	1161	1.210	4.735	112.3	91.37	5.051	0.880	0.482	1	0.725	77.81	0.590
US	($)	30.65	5.767	5.119	1.490	0.641	1600	1.668	6.527	154.7	125.9	6.961	1.213	0.665	1.378	1	107.2	0.813
Japan	(Y)	28.58	5.378	4.773	1.389	0.598	1492	1.555	6.086	144.3	117.4	6.491	1.131	0.620	1.285	0.932	100.	0.758
Ecu		37.69	7.092	6.295	1.832	0.788	1968	2.052	8.026	190.3	154.9	8.561	1.492	0.818	1.695	1.230	131.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6760	0.6732	-0.0024	0.6778	0.6729	21,885	80,039
Jun	0.6799	0.6764	-0.0025	0.6779	0.6764	409	3,573
Sep	-	0.6819	-	-	-	17	1,374

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9429	0.9363	-0.0043	0.9440	0.9380	9,709	76,869
Jun	0.9605	0.9493	-0.0046	0.9509	0.9493	403	4,191
Sep	-	0.9641	-	-	-	42	782

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8332	0.8290	-0.0031	0.8348	0.8288	10,592	43,027
Jun	0.8365	0.8360	-0.0030	0.8369	0.8355	810	1,358
Sep	-	0.8420	-0.0031	0.8510	0.8415	7	103

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5066	1.5014	-0.0022	1.5066	1.5000	6,554	50,856
Jun	-	1.4960	-0.0028	-	1.4980	15	282
Sep	-	1.4960	-0.0016	-	1.4950	4	5

UK INTEREST RATES

LONDON MONEY RATES

Jan 30	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅜ - 5½	6⅜ - 6⅛	6⅜ - 6⅛	6⅜ - 6⅛	6⅛ - 6⅛	6⅛ - 6
Sterling CDs	-	-	6⅜ - 6⅛	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 6
Treasury Bills	-	-	6⅛ - 6⅛	6⅛ - 6	-	-
Bank Bills	-	-	6⅛ - 6⅛	6⅛ - 5⅞	6 - 5⅞	-
Local authority deps.	6¼ - 6⅛	6¼ - 6⅛	6⅜ - 6⅛	6¼ - 6⅛	6⅛ - 6⅛	6⅛ - 6
Discount Market deps	6¼ - 5¾	6⅜ - 6⅛	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 5.9668pc. ECGD fixed rate Stlg. Export Finance. Make up day Jan 31, 1996. Agreed rate for period Feb 26, 1996 to Mar 25, 1996, Scheme II & III 7.69pc. Reference rate for period Dec 30, 1995 to Jan 31, 1996, Schemes IV & V 6.440pc. Finance House Base Rate 7pc from January 1, 1996

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.86	[illegible]	+0.05	93.92	93.86	14231	87615
Jun	94.09	94.12	+0.04	94.14	94.08	17513	75785
Sep	94.09	94.13	+0.04	94.15	94.09	7558	65533
Dec	93.91	93.95	+0.04	93.96	[illegible]	3523	43891
Mar	93.64	93.69	+0.04	93.70	93.64	2240	31747

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9375	0.20	0.44	0.55	0.04	0.07	0.17
9400	0.05	0.26	0.39	0.14	0.14	0.28
9425	0.01	0.13	0.26	0.35	0.26	0.38

Est. vol. total, Calls 1075 Puts 5000. Previous day's open int., Calls 128906 Puts 135289

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	Royal Bk of Scotland	6.25
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	●Singer & Friedlander	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	●Smith & Williamson Secs.	6.25
Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	United Bank of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25	* In administration	
Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.50	NatWestminster	6.25		
		●Rea Brothers	6.25		

EMS EUROPEAN CURRENCY UNIT RATES

Jan 30	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.11323	+0.00067	-1.81	4.60	18
Spain	162.493	159.755	-0.329	-1.68	4.47	12
Belgium	39.3960	38.7997	+0.0123	-1.51	4.29	11
Austria	13.4383	13.2658	+0.0014	-1.28	4.05	9
Germany	1.91007	1.88668	+0.00044	-1.22	3.98	12
Portugal	195.792	196.093	-0.261	0.15	2.65	-1
Denmark	7.28580	7.30303	+0.0018	0.24	2.47	-2
France	6.40608	6.48439	-0.00549	1.22	1.47	-10
Ireland	0.792214	0.813699	+0.001059	2.71	0.00	-18
NON ERM MEMBERS						
Greece	292.867	312.530	-0.148	6.71	-3.75	-
Italy	2106.15	2028.54	-2.65	-3.68	6.64	-
UK	0.786652	0.843868	+0.001735	7.28	-4.25	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.500	1.32	2.03	2.52	0.88	1.72	2.23
1.510	0.79	1.54	2.09	1.33	2.24	2.70
1.520	0.44	1.15	1.68	1.98	2.81	3.29
1.530	0.30	0.82	1.33	2.69	2.94	3.93
1.540	0.15	0.57	1.05	3.54	3.29	4.62
1.550	0.07	0.39	0.78	4.45	4.03	-

Previous day's vol., Calls 2,593 Puts 5,652. Prev. day's open int., Calls 169,507 Puts 201,597

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.68	94.71	+0.03	94.71	94.66	[illegible]	435,974
Jun	95.01	95.05	+0.04	95.05	95.01	78,358	430,946
Sep	95.16	95.18	+0.02	95.20	95.16	40,199	303,679

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.15	95.16	+0.02	95.16	95.15	271	9,118
Jun	95.42	95.46	+0.03	95.48	95.42	357	6,409
Sep	-	95.59	+0.01	95.59	-	40	776

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
9650	0.24	0.25	0.27	0.39	0	0.01	0.03	0.05
9675	0.04	0.07	0.16	0.20	0.05	0.08	0.07	0.11
9700	0	0.01	0.04	0.08	0.26	0.27	0.20	0.24

Est. vol. total, Calls 8325 Puts 2560. Previous day's open int., Calls 271542 Puts 264915

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9800	0.17	0.24	0.28	0.05	0.14	0.27
9825	0.06	0.11	0.15	0.19	0.26	0.39
9850	0.02	0.04	0.09	0.40	0.44	0.57

Est. vol. total, Calls 25 Puts 0. Previous day's open int., Calls 5795 Puts 4010

US $100,000,000
Credit du Nord
Floating Rate Notes due 1997
For the period from January 31, 1996 to April 30, 1996 the Notes will carry an interest rate of 5½% per annum with an interest amount of US $137.50 per US $10,000 Note.
The relevant interest payment date will be April 30, 1996.
Agent Bank:
BANQUE PARIBAS
LUXEMBOURG

LEGAL NOTICES

LEP GROUP PLC
REGISTERED NUMBER: 490430
LEP HOLDINGS LIMITED
REGISTERED NUMBER: 341494
LEPSCI-ONE LIMITED
REGISTERED NUMBER: 2157969
LEP TRAVEL LIMITED
REGISTERED NUMBER: 690626
LEP (ST PAUL'S VISTA) LIMITED
REGISTERED NUMBER: 1972140
LEP PROPERTIES LIMITED
REGISTERED NUMBER: 2085894
LEP INDUSTRIAL HOLDINGS LIMITED
REGISTERED NUMBER: 2057193
EPEX LIMITED
REGISTERED NUMBER: 2149257
FCL HOLDINGS LIMITED (formerly CROWE & CO (LONDON) LIMITED)
REGISTERED NUMBER: 152799
Nature of business: Holding Companies
Trade classification: 32
Date of appointment of administrative receivers: 29 January 1996
Name of bank appointing the administrative receivers: National Westminster Bank plc
IAN DOUGLAS BARKER BOND and MARK PALIOS
Joint Administrative Receivers
(office holder nos. 1289 and 5701) of
Coopers & Lybrand, Plumtree Court, London EC4A 4HT

Republic New York Corporation
U.S.$150,000,000
Putable Capital Notes
For the six month period January 31, 1996 to July 31, 1996 the Notes will carry an interest rate of 5.625% per annum with an interest amount of U.S. $284.38 per U.S.$10,000 Note payable on July 31, 1996.
January 31, 1996
By: Citibank, N.A.
(Issuer Services) Agent Bank

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	512xd	-17	[illegible]	476½	[illegible]	5.8	18.5
Bulmer (HP)	[illegible]	[illegible]	-2	542	[illegible]	[illegible]	2.9	16.9
Burn St Dist	[illegible]	123	-1	146	99	72.9	5.1	28.5
Grand Met	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.1	15.8
Guinness	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.8	14.4
Highland	[illegible]	334	+2	[illegible]	315	[illegible]	[illegible]	14.7
Kirin Y	[illegible]	[illegible]	[illegible]	779½	621	[illegible]	[illegible]	28.5
Macallan-Glen	[illegible]	[illegible]	—	217	157	[illegible]	1.0	37.5
Macdon Martin A	[illegible]	[illegible]	—	700	[illegible]	[illegible]	2.2	17.8
Matthew Clark	[illegible]	[illegible]	+1	[illegible]	533	[illegible]	4.2	-
Merrydown	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.9	2.6	-
Seagram $		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.2	-

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cm 2nd Pf £	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	-
Cater Allen	[illegible]	[illegible]	—	[illegible]	418	[illegible]	7.9	7.9
Close Bros	[illegible]	[illegible]	+14	[illegible]	217¼	[illegible]	3.0	18.1
Gerrard & Nat	[illegible]	[illegible]	—	472	385	[illegible]	6.0	15.1
Hambros	[illegible]	[illegible]	+1	[illegible]	180	[illegible]	4.7	-
7½pc Cv Pf		[illegible]	[illegible]	110	94	[illegible]	9.1	-
Joseph (L)	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	5.2	15.6
King & Shaxson	[illegible]	[illegible]	—	[illegible]	85	[illegible]	7.7	11.9
Rea Brothers	[illegible]	[illegible]	-1	67	44	[illegible]	2.1	23.6
Schroders	[illegible]	[illegible]	-2	[illegible]	[illegible]	[illegible]	1.4	18.3
N/V	[illegible]	1020	-3	[illegible]	[illegible]	[illegible]	1.7	14.5
Singer & Fried	[illegible]	[illegible]	—	111	81	[illegible]	4.4	10.8
8½pc Cv Ln 09/14		[illegible]	—	[illegible]	[illegible]	[illegible]	6.4	-
Union	[illegible]	[illegible]	—	121	78	[illegible]	3.8	-
Wintrust	[illegible]	270	—	[illegible]	200	[illegible]	5.5	15.2

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL, EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend b Figures based on prospectus or other official estimates. ε Assumed dividend yield after rights issue. h Assumed Dividend yield after scrip issue. n Rights issue pending q Earnings based on preliminary figures. ACT guidelines. z Dividend yield includes a special payment F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995-96. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

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For readers phoning from outside UK, please dial +44 in place of the first 0.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

The Fiduciary Trust Global Fund

GAM Fund Management Ltd (u)

Baring Mutual (Ireland) Ltd

Berkshire KITC Growth Fund Plc

Berkshire Korea Fund Plc

Bordier Invest (Ireland) Ltd

CFP Interest Rate Arbitrage Fund Plc

Colptus Fund

Capital Vision Fund Plc

Chemical Ireland Fund Administrators Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (1600)F

Ashburton Global Funds Ltd (1200)

Bank of Ireland Asset Mngmt (IOM) Ltd

Foreign & Colonial Mngmt (Jersey) Ltd

John Govett Management (Jersey) Ltd

Den norske Bank

Dolphin Intl Investments (a) SICAV

Dresdnerbank Asset Mngmt SA (u)

E.T. Investment Management Ltd

Eagle Star – Global Assets Fund (u)

Mercury Asset Management S.A. - Contd.

Midland Intl Circuit Fund SICAV(u)

BERMUDA (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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	Selling Price	Buying Price	+ or -	Yield Gross
Clan European Asset Value Fund				
NAV Jan 23		$10.38	+0.05	–
Korea Emerging Growth Fund				
NAV Jan 19		$9.71	-0.21	–
Cox & Kings Overseas Fund				
India Twenty-First Century			–	–
Credis Investment Funds	[illegible]	[illegible]	[illegible]	[illegible]

	Selling Price	Buying Price	+ or -	Yield Gross
Merrill Lynch Asset Management - Contd.				
Monterey Trust SICAV				
NAV		$10.07	–	–
Morgan Stanley Sicav	[illegible]	[illegible]	[illegible]	[illegible]
Murray Universal, Sicav	[illegible]	[illegible]	[illegible]	[illegible]
Nikko Asia Convertible Bond Fund				
Nikko Asia Conv Bond NAV		$10.55	–	–
Nikko Bank (Luxembourg) S.A.	[illegible]	[illegible]	[illegible]	[illegible]
Nomura Asian Infrastructure Fd SICAV				
NAV		$21.77	+0.12	–
For Credit Fund see Fleming Group				
Pacific Basin Growth Fund	[illegible]	[illegible]	[illegible]	[illegible]
Pan-Holding SA	[illegible]	[illegible]	[illegible]	[illegible]
REG Global Funds	[illegible]	[illegible]	[illegible]	[illegible]

	Selling Price	Buying Price	+ or -	Yield Gross
Albany International Assurance Ltd				
St Mary's, Castletown, Isle of Man 01624 823092	[illegible]	[illegible]	[illegible]	[illegible]

	Selling Price	Buying Price	+ or -	Yield Gross
Royal Life International				
Royal Court, Arbory Rd, Castletown IoM 01624 821212	[illegible]	[illegible]	[illegible]	[illegible]

	Selling Price	Buying Price	+ or -	Yield Gross
Capital International				
Capital Int. Fund	[illegible]	[illegible]	[illegible]	[illegible]
Chameleon Funds Limited	[illegible]	[illegible]	[illegible]	[illegible]
Chescor Indian Investment Company Ltd	[illegible]	[illegible]	[illegible]	[illegible]
The China Fund	[illegible]	[illegible]	[illegible]	[illegible]
The China Invest & Development Fd Ltd	[illegible]	[illegible]	[illegible]	[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGED FUNDS NOTES

[illegible]

هكذا من الأصل

LONDON STOCK EXCHANGE

MARKET REPORT

Interest rate hopes and bid talk help market rally

By Steve Thompson,
UK Stock Market Editor

News of the Hanson group's plan to demerge into four separate businesses electrified the company's shares and helped arrest a worrying slide by a flagging UK market.

The Hanson demerger story, another startling rise on Wall Street, which hurtled to a fresh all-time high, and rumblings of a £1bn-plus bid for one of the few remaining independent UK electricity companies, saw London just about creep into positive ground at the close.

Earlier the FT-SE 100 index had suffered from a sharp sell-off, which some dealers attributed to a hefty sell programme, but which others said had reflected increased concerns that the much hoped for reductions in interest rates in the US and Germany might not occur.

The rumoured programme trade activity was said to have involved the sale of around £750m worth of stocks across the European markets and to have kept the lid on Continental bourses for much of the morning. By the close of business in London there was no news on a rate cut in the US, but the chances of such a move were said to have increased substantially after weak economic data were released.

These included a lower than expected increase in US retail sales and a much weaker than expected consumer confidence index.

The Footsie ended a volatile trading session a net 0.7 ahead at 3,735.3, while the FT-SE Mid 250 index continued its run of outperformance against the senior index, closing 6.6 higher at 4,095.7.

Turnover in equities at 6pm reached 839.5m shares and was well ahead of Monday's rather depressed 664.5m. The total was given a big boost by exceptionally heavy trading in Hanson where turnover was well in excess of 100m shares, easily the highest ever in a single session.

Overall business was also lifted significantly by a fresh burst of unusually heavy activity in the banks, National Grid and a number of big conglomerates.

The banks continued to attract heavy selling pressure, with the mortgage/savings sector, featured by Lloyds TSB, Abbey National and the two Scottish banks, once again being roughly handled by marketmakers. The blame for the large-scale selling of the sector was laid squarely on the mortgage price war which flared up last week.

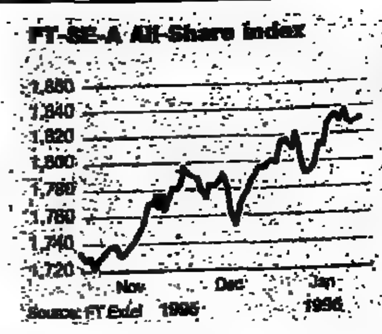
The Footsie began on a firm note and moved ahead to post the day's best gain of 8.5 shortly after the start, sentiment lifted by the latest blast of optimism in the US, where the Dow Jones Industrial Average climbed a further 33 points to break the 5,300 level.

But with doubts about interest rates creeping in, and the rumoured programme selling affecting sentiment, the Footsie dropped back to record a fall of 20.7 over lunch.

Thereafter the index gradually clawed its way back, with the latest tour de force by the Dow, which was up some 50 points 90 minutes after London closed, prompting a return of confidence to the market.

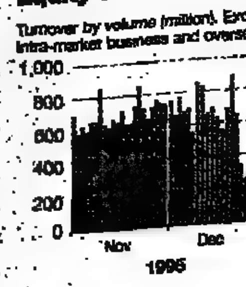
Electricity stocks were among the big winners yesterday on talk that a £1bn loan had been raised by a banking syndicate to finance a bid for one of the handful of independent companies left.

FT-SE-A All-Share index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3735.3	+0.7
FT-SE Mid 250	4095.7	+6.6
FT-SE-A 350	1855.8	+0.9
FT-SE-A All-Share	1830.62	+0.93
FT-SE-A All-Share yield	3.73	(3.73)

FT Ordinary index	2755.0	-11.4
FT-SE-A Non Fins p/e	16.88	(16.84)
FT-SE100 Fut Mar	3753.0	+5.0
10 yr Gilt yield	7.43	(7.47)
Long gilt/equity yld ratio:	2.11	(2.11)

Best performing sectors

1	Diversified Inds	+2.0
2	Gas Distribution	+1.6
3	Tobacco	+1.6
4	Breweries, Pubs & Rest.	+0.9
5	Electricity	+0.9

Worst performing sectors

1	Leisure & Hotels	-2.8
2	Banks, Retail	-1.1
3	Alcoholic Beverages	-1.1
4	Insurance	-0.8
5	Oil Exploration	-0.8

Record trade for Hanson

Hanson chose a good time to revitalise investor perceptions when it revealed it was splitting into four units.

Minutes after the announcement, the share price shot up some 15p – a very big move for the normally sluggish shares.

Dealers were so frantic in their attempts to pick up stock that electronic screens flashed red as bid and offer prices were briefly reversed. Turnover climbed to 114m, the highest ever recorded for the company.

Nevertheless, the stock ended the day only 7 higher at 211¼p. That backswing reflected creeping caution as analysts started to look at the big questions – how much is Hanson worth? And which bits will get sold off?

Sum of the parts calculations looked discouraging and some specialists suggested that there might not be much of an extra boost for the share price in the short term.

In fact, rivals said the corporate broker, ABN Amro Hoare Govett, was instrumental in the afternoon sell-off.

On the plus side, however, Hanson's old Imperial Tobacco arm could make an attractive sale proposition, as might the energy arm – considering the takeover enthusiasm among the regional electricity groups and Hanson's recent purchase of Eastern.

And US analysts, who have seen a wave of big league break-ups over the past, say they unlock shareholder value. Mr Jack L. Kelly of Goldman Sachs said: "ITT has gone from $80 to $130 in little over a year and AT&T went well. Investors like these splits. They remove complexity, make the company easier to analyse, motivate management and benefit the p/e."

Grid boost

The Hanson news gave an unexpected boost to National Grid shares. Investors had been waiting for Hanson to sell the Grid shares acquired through its takeover of Eastern. Now that it is splitting, Hanson is seen as more likely to retain its Grid shares and sell Eastern in its entirety. National Grid marched forward 12 to 205¼p with 39m traded.

Media shift

Pearson, the media conglomerate which owns the Financial Times, ran up on a story in a rival newspaper that Granada had been prepared to offer up to 900p a share for the company.

There was further support from news, already widely flagged in the market, that Pearson's subsidiary Thames Television had made a recommended cash offer for SelecTV. The shares rose 9 to 659p.

But what was good news for Pearson reflected badly on Carlton Communications. The latter has agreed to buy SelecTV's cable business and some specialists are concerned that the company now intends to expand in those areas.

One senior media analyst said that with connection costs of at least £1,500 per house and cable rental charges at around £300 a year it would take cable companies at least five years just to break even. Carlton declined 7 to 1037p.

Standard Chartered improved 5 to 641p on relief that it has finally sold its stockbroking arm. Also, takeover chatter failed to die away and HSBC, seen as a potential buyer, rose 21¼ to 1110¼p – a new closing peak – with the help of a strong Hong Kong market.

Meanwhile, the split between the global investment banks and their domestic rivals widened, with Lloyds TSB sliding 16¼ to 318¾p on 34m traded and Abbey National dipping 19 to 585p on mortgage price war worries.

A late breaking story that a banking syndicate, including one Japanese bank, had offered facilities of more than £1bn to a West Coast US utility revived takeover speculation in the UK electricity company sector.

Rumours have focused on General Public Utilities, of the US, making an offer for Midlands Electricity. The latter, already at a healthy premium to the level of a previous bid made by PowerGen (which was referred to the Monopolies and Mergers Commission), gained a further 13 at 391p.

Glaxo Wellcome jumped, with sentiment boosted by announcements from rivals on Aids drug combinations.

Merck, of the US, said its new treatment – Crixivan – worked better when combined with Glaxo's AZT and Epivir. It said the triple combination therapy reduced levels of HIV infection after four months of treatment in about 85 per cent of patients.

Abbott Laboratories made a similar announcement about its Ritonavir drug. Glaxo appreciated 18 to close at 983p.

Shares in Whitbread were in demand and they put on 9 at 697p. A story doing the rounds late yesterday suggested that the group was about to buy Forte's motorway service areas, Welcome Break, from Granada Group. Dealers said they expected an announcement any day now and they suggested a price of around £290m. Shares in Granada closed 3 firmer at 705p, while Forte ended the session at 341½p, after going ex the special dividend.

In the rest of the sector, Scottish & Newcastle gained 10 at 627p ahead of today's analysts visit to some of its operations. Volume was 2.9m. Talk that the group was planning to make a bid for leisure group Ladbroke was dismissed by analysts as "unlikely". Ladbroke closed a penny ahead at 175p.

Spirits company Allied Domecq tumbled after Cazenove, the group's joint broker, was said to have downgraded profits expectations. The shares fell 17 to 512p.

Cazenove was reported to have reduced its current year profits forecast by £30m to £665m, though there are forecasts in the market as low as £635m. The company is to hold its annual meeting next week and analysts said they would be watching developments for further signs of weakness in Allied's markets.

Expectations that Greenalls Group would become a constituent of the FT-SE 100 index, later confirmed, helped the shares firm 10½ to 608½p.

Retailer Marks and Spencer eased 3 to 435½p, in trade of 3.5m, after NatWest Securities downgraded its recommendation from "buy" to "hold".

The broker published a detailed note on the retail sector yesterday and said of M&S: "We see no scope for extended outperformance."

NatWest also reiterated its cautious stance on Great Universal Stores, saying the market has got "over-excited over planned management changes". The shares lost 10 to 682p.

Talk that Storehouse would soon announce the purchase of Childrens World from Boots continued to do the rounds yesterday. Shares in the former hardened 6 to 298p, while the latter eased a penny to 618p, on profit-taking.

Engineering and defence group British Aerospace advanced 5 to 890p, boosted by reports that British Airways is about to place a £1bn regional jets order with Aero International, a joint venture with several European companies of which BAe is part. BA firmed 3 to 532p.

Investment buying, a director buying share options and a strong US market combined to make Siebe a good market. The shares rose 11 to 782p.

Transport stock P&O moved forward 11 to 561p as the market continued to speculate about a £1bn disposal programme.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Jan 30	Jan 29	Jan 26	Jan 25	Jan 24	Yr ago	*High	*Low
Ordinary Share	2756.0	2769.4	2766.3	2765.6	2768.2	2260.7	2788.2	2236.3
Ord. div. yield	3.91	3.90	3.91	3.92	3.90	4.83	4.73	3.90
P/E ratio net	16.62	16.67	16.62	16.58	16.69	17.45	21.38	15.36
P/E ratio nil	16.41	16.46	16.41	16.37	16.48	16.58	22.21	15.17

*For 1995/96. Ordinary Share index since compilation: high 2788.2 18/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2758.9	2762.1	2750.0	2748.0	2742.5	2751.2	2753.8	2757.5	2757.0	2762.1	2742.1

	Jan 30	Jan 29	Jan 26	Jan 25	Jan 24	Yr ago
SEAQ bargains	32,870	33,682	33,184	35,173	35,703	17,802
Equity turnover (£m)†	-	1463.5	2072.6	2495.0	2005.6	1153.3
Equity bargains†	-	40,310	38,415	41,409	42,114	24,000
Shares traded (mil)†	-	593.6	604.7	778.1	751.0	471.1

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	767	Total Highs	181	Total contracts	42,615
Total Falls	508	Total Lows	31	Calls	24,665
Same	1,590			Puts	17,950

Jan 30 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3755.0	3751.0	+5.0	3759.0	3720.0	15177	66821
Jun	3751.5	3753.5	+3.0	3754.5	3751.5	47	1186

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4110.0	+10.0			0	3307

FT-SE 100 INDEX OPTION (LIFFE) (*3732) £10 per full index point

[illegible]
[illegible]

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]
[illegible]

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E ratio
-	F.P.	6.26	6½	5¾	†Ballynaboy	[illegible]					
-	F.P.	24.0	125	115	Century Inns	[illegible]	[illegible]				
-	F.P.	14.3	80	72	†Dmatek	[illegible]					
-	F.P.	25.5	86	73	Jupiter Split Cap	[illegible]					
-	F.P.	38.8	101	96	Jupiter Split Inc	[illegible]		[illegible]		[illegible]	
-	F.P.	89.0	259	258	Jupiter Split Units	[illegible]		[illegible]		[illegible]	
-	F.P.	37.1	68	67	MediaKey	[illegible]		[illegible]		[illegible]	
-	F.P.	0.13	8	8	†Ninn Prdm Wrts	[illegible]					
-	F.P.	1.18	105	100	†Revelation Prdty	[illegible]					
-	F.P.	3.09	60	53	†Self Sealing Syst	[illegible]					
-	F.P.	0.94	8	8	†SkyePharma Wts	[illegible]					
-	F.P.	5.70	190	125	†Viewinn	[illegible]					

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jan 29	% chg on day	Jan 26	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (33)	2328.48	+0.8	2308.97	1682.8[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Regional Indices								
Africa (18)	3173.11	-1.5	3222.22	2559.8[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australasia (3)	2790.86	+4.3	2674.86	2131.5[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (12)	2021.98	+1.8	1990.81	1372.9[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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FT-SE Actuaries Share Indices — The UK Series

	Jan 30	Day's chge%	Jan 29	Jan 26	Jan 25	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	[illegible]										
FT-SE Mid 250	[illegible]										
FT-SE Mid 250 ex Inv Trusts	[illegible]										
FT-SE-A 350	[illegible]										
FT-SE-A 350 Higher Yield	[illegible]										
FT-SE-A 350 Lower Yield	[illegible]										
FT-SE SmallCap	[illegible]										
FT-SE SmallCap ex Inv Trusts	[illegible]										
FT-SE-A ALL-SHARE	[illegible]										

FT-SE Actuaries All-Share

	Jan 30	Day's chge%	Jan 29	Jan 26	Jan 25	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	[illegible]										
12 Extractive Industries(8)	[illegible]										
15 Oil, Integrated(3)	[illegible]										
16 Oil Exploration & Prod(15)	[illegible]										
20 GEN INDUSTRIALS(270)	[illegible]										
21 Building & Construction(34)	[illegible]										
22 Building Matls & Merchs(29)	[illegible]										
23 Chemicals(23)	[illegible]										
24 Diversified Industrials(21)	[illegible]										
25 Electronic & Elect Equip(38)	[illegible]										
26 Engineering(71)	[illegible]										
27 Engineering, Vehicles(13)	[illegible]										
28 Paper, Pckg & Printing(26)	[illegible]										
29 Textiles & Apparel(19)	[illegible]										
30 CONSUMER GOODS(91)	[illegible]										
32 Alcoholic Beverages(6)	[illegible]										
33 Food Producers(23)	[illegible]										
34 Household Goods(13)	[illegible]										
36 Health Care(20)	[illegible]										
37 Pharmaceuticals(12)	[illegible]										
38 Tobacco(1)	[illegible]										
40 SERVICES(254)	[illegible]										
41 Distributors(31)	[illegible]										
42 Leisure & Hotels(24)	[illegible]										
43 Media(45)	[illegible]										
44 Retailers, Food(17)	[illegible]										
45 Retailers, General(43)	[illegible]										
47 Breweries, Pubs & Rest.(24)	[illegible]										
48 Support Services(40)	[illegible]										
49 Transport(21)	[illegible]										
60 UTILITIES(36)	[illegible]										
62 Electricity(15)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(7)	[illegible]										
68 Water(12)	[illegible]										
69 NON-FINANCIALS(691)	[illegible]										
70 FINANCIALS(105)	[illegible]										
71 Banks, Retail(8)	[illegible]										
72 Banks, Merchant(6)	[illegible]										
73 Insurance(24)	[illegible]										
74 Life Assurance(6)	[illegible]										
77 Other Financial(23)	[illegible]										
79 Property(41)	[illegible]										
80 INVESTMENT TRUSTS(127)	[illegible]										
89 FT-SE-A ALL-SHARE(923)	[illegible]										
FT-SE-A Hedging	[illegible]										
FT-SE-A Hedging ex Inv Trusts	[illegible]										

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]										
FT-SE Mid 250	[illegible]										
FT-SE-A 350	[illegible]										

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]											
Pharmaceuticals	[illegible]											
Water	[illegible]											
Banks, Retail	[illegible]											

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. "The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FT-SE International Limited 1996. All Rights reserved. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company." † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

Major Stocks Yesterday

	Vol 000s	Closing price	Day's change
[illegible]			

Based on trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 31.01.96: Pool purchase price (£/MWh)	Ex post Prices for Trading on [illegible]: Pool purchase price (£/MWh)	Pool selling price (£/MWh)
0030	33.28	9.02	9.02
0100	29.82	9.04	9.04
0130	46.31	13.18	15.24
0200	46.31	13.18	15.24
0230	43.32	13.18	15.24
0300	39.28	13.18	15.24
0330	[illegible]	13.18	15.24
0400	39.24	[illegible]	9.48
0430	23.82	8.99	8.99
0500	23.32	[illegible]	8.99
0530	23.98	9.00	9.00
0600	[illegible]	9.01	9.01
0630	23.87	9.01	9.01
0700	34.20	12.73	14.80
0730	35.11	17.84	19.71
0800	39.23	25.26	27.39
0830	45.82	25.08	27.13
0900	50.82	26.44	28.58
0930	59.67	26.91	28.11
1000	67.86	31.82	33.89
1030	69.84	45.13	47.47
1100	58.49	45.22	47.55
1130	58.08	[illegible]	47.54
1200	54.70	38.26	35.56
1230	51.97	33.11	35.38
1300	47.97	33.51	35.75
1330	39.75	28.75	28.84
1400	38.41	26.75	28.94
1430	39.20	26.78	28.95
1500	39.80	26.86	29.07
1530	41.59	27.29	29.65
1600	56.75	31.63	35.51
1630	120.29	86.14	99.57
1700	282.34	141.32	163.99
1730	318.41	151.80	173.18
1800	282.60	112.78	[illegible]
1830	156.72	59.25	65.42
1900	96.16	43.42	46.93
1930	84.25	39.88	42.45
2000	43.71	34.34	36.66
2030	37.55	28.56	27.94
2100	34.89	25.27	27.34
2130	34.25	25.26	27.33
2200	34.07	25.10	27.17
2230	34.02	25.26	27.33
2300	[illegible]	9.03	9.03
2330	34.09	[illegible]	8.99
2400	9.15	4.06	8.95

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. [illegible] The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. [illegible] Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. [illegible] Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0113 [illegible] between [illegible] and 5.15pm Monday to Friday.
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هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 30 / Sch)

BELGIUM/LUXEMBOURG (Jan 30 / Frs.)

CZECH REP (Jan 30 / Korune)

DENMARK (Jan 30 / Kr)

FINLAND (Jan 30 / Mks)

FRANCE (Jan 30 / Frs.)

GERMANY (Jan 30 / Dm.)

GREECE (Jan 30 / Drachma)

ITALY (Jan 30 / Lira)

NETHERLANDS (Jan 30 / Fls.)

NORWAY (Jan 30 / Kroner)

POLAND (Jan 30 / Zloty)

PORTUGAL (Jan 30 / Escudo)

SPAIN (Jan 30 / Pta.)

SWEDEN (Jan 30 / Kronor)

SWITZERLAND (Jan 30 / Frs.)

TURKEY (Jan 30 / Tk Lira)

PACIFIC

JAPAN (Jan 30 / Yen)

HONG KONG (Jan 30 / H.K.$)

INDONESIA (Jan 30 / Rupiah)

MALAYSIA (Jan 30 / MYR)

NEW ZEALAND (Jan 30 / NZ $)

SINGAPORE (Jan 30 / S$)

AUSTRALIA (Jan 30 / Aust$)

SOUTH KOREA (Jan 30 / Won)

TAIWAN (Jan 30 / TW $)

THAILAND (Jan 30 / Baht)

NORTH AMERICA

CANADA

TORONTO (Jan 30 / Can $) 3:30 pm

MONTREAL (Jan 30 / Can $) 3.30 pm

AFRICA

SOUTH AFRICA (Jan 30 / Rand)

INDICES

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Jan	1979.0	2003.0	+23.0	2004.0	1974.0	37,813	23,540
Feb	1987.0	2011.5	+24.0	2014.0	1983.5	21,693	12,450
■ DAX							
Mar	2448.0	2468.5	+23.0	2469.0	2437.5	26,737	118,292
Jun	2461.5	2480.5	+20.0	2479.0	2450.0	925	42,897

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ OMX							
Feb	1345.00	1370.00	+30.5	1370.00	1341.00	3,540	10,734
Mar	1371.00	1371.00	+30.0	1371.00	1371.00	20	41
■ SOFFEX							
Jan	3206.0	3240.0	+41.0	3245.0	3194.0	7,901	14,482
Feb	3215.0	3244.0	+30.2	3218.0	3212.0	258	1,287

~ Sat Jan 27: Taiwan Weighted Price 4961.53; Korea Comp Ex 884.77. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 30 - 2456.09 +18.39.

US INDICES

Dow Jones	Jan 29	Jan 26	Jan 25	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5304.98	5271.75	5216.03	5304.98 (29/1/96)	3832.08 (30/1/95)	5304.98 (29/1/96)	41.22 (2/7/32)
Home Bonds	105.75	105.79	105.74	105.88 (22/1/96)	98.63 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1908.54	1906.85	1913.04	2082.11 (5/12/95)	1473.19 (3/1/95)	2082.11 (5/12/95)	12.32 (8/7/32)
Utilities	223.46	228.16	228.65	229.81 (24/1/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5338.22 (5293.78) Low 5246.82 (5187.21) (Theoretical♦)
Day's high 5306.07 (5276.44) Low 5271.75 (5206.36) (Actual♦)

Standard and Poors	Jan 29	Jan 26	Jan 25	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	624.22	621.62	617.03	624.22 (29/1/96)	459.11 (3/1/95)	624.22 (29/1/96)	4.40 (1/6/32)
Industrials♥	732.24	729.78	723.81	732.24 (29/1/96)	546.28 (3/1/95)	732.24 (29/1/96)	3.62 (21/6/32)
Financial	63.04	62.31	61.98	63.86 (6/12/95)	41.64 (3/1/95)	63.86 (6/12/95)	8.64 (1/10/74)
NYSE Comp.	334.20	332.64	330.55	334.20 (29/1/96)	250.73 (3/1/95)	334.20 (29/1/96)	4.46 (28/4/42)
Amex Mkt Val	547.56	545.24	541.84	553.58 (12/9/95)	433.12 (6/1/95)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1042.50	1040.96	1035.95	1069.79 (4/12/95)	743.58 (3/1/95)	1069.79 (4/12/95)	54.87 (31/10/72)

■ RATIOS

	Jan 26	Jan 19	Jan 12	Year ago
Dow Jones Ind. Div. Yield	2.24	2.26	2.33	2.79
	Jan 24	Jan 17	Jan 10	Year ago
S & P Ind. Div. yield	1.95	2.01	2.02	2.43
S & P Ind. P/E ratio	18.96	18.42	18.30	18.90

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Citicorp	8,985,100	71¾	+2⅛
Micron	6,013,000	34	–⅜
Kmart	5,520,700	6	+⅛
WalMart	5,242,500	19⅞	–⅛
Telefonos	4,001,300	34⅝	+⅝
Grp Televisa	3,735,200	29⅝	+1⅛
Niag Mohawk	3,717,700	8⅝	–¼
Loral Corp	3,717,100	46⅝	+1¼
Fed Natl	3,333,600	32⅝	+¾
Gen. Motors	3,091,500	52⅝	+1¼

■ TRADING ACTIVITY

● Volume (millions)	Jan 29	Jan 26	Jan 25
New York SE	382.658	384.415	445.351
Amex	18.041	20.136	28.953
NASDAQ	444.785	527.810	600.379
NYSE			
Issues Traded	3,073	3,071	3,073
Rises	1,333	1,258	1,028
Falls	954	1,020	1,269
Unchanged	786	793	776
New Highs	168	106	139
New Lows	13	23	18

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Mar	625.95	627.15	+0.95	627.80	625.95	58,850	187,548
Jun	633.30	633.30	+1.50	633.30	633.30	565	7,465

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Mar	20670.0	20790.0	+140.0	20870.0	20670.0	24,387	153,172
Jun	20630.0	20820.0	+200.0	20850.0	20630.0	1,529	22,689

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995/96, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, January 30, 1996

	Stocks Traded	Closing Prices	Change on day
Rhythm Watch	16.4m	480	+16
NKK Corp	14.2m	297	+6
Takara Shuzo	12.1m	1330	+90
Japan Steel Wk	11.9m	339	-8
Nippon Steel Corp	10.4m	360	+3
Daido Stl Sheet	8.9m	2190	+260
Kyokuyo	8.8m	850	-20
Nippon Kakoh Sei	7.9m	749	-36
Koa Oil Co	5.6m	1410	+10
Japan Paper Ind	5.5m	1080	

4 pm close January 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅛	12⅞	AAR x	0.48	2.3	25	249	21	20¾	21	+⅛
40¼	35	AMP	1.00	2.6	19	7583	38½	37¼	38½	+¾
80¾	53¾	AMR			29	6298	73½	72⅝	73½	+¾
47⅞	36⅜	ASA	1.71	3.7	30	1862	46⅝	45⅞	45⅞	-⅛
44¾	30¼	AbbtL	0.84	2.0	19	22924	42½	41⅛	42	+1¾
18⅞	12	Abitibi Pr	0.40	2.4	8	1094	16⅞	16⅜	16⅝	+⅜
28½	21	ABM Ind	0.70	2.5	15	236	28⅛	27⅞	27⅞	-⅜
17½	13⅛	Acplncaln			10	1113	14¼	14	14⅛	+⅛
44	21⅞	ACE Ltd	0.56	1.3	10	2420	u44	43⅝	43⅞	+¼
9⅞	8⅛	ACM Gvt In	0.90	9.1	8	890	u9⅞	9⅝	9⅞	+⅛
7⅝	6½	ACM GvOpp	0.66	8.7		825	u7⅝	7⅝	7⅝	-⅛
7½	5¾	ACM Gvt Sp	0.75	10.3		962	7¼	7	7¼	+¼
9	7¼	ACM Gvt Se	0.90	10.1		1313	u9	8⅝	8⅞	
9½	7⅝	ACM Man	0.90	9.7		160	9¼	9⅛	9¼	+⅛
29¾	10¼	AcmeClv	0.52	2.8	4	285	18¾	18⅝	18¾	-⅛
38¾	7⅞	Acme Elect			66	84	8⅝	8¼	8¼	-⅜
34½	23¾	Acordia	0.72	2.5	15	69	29	28⅞	29	
16¾	10⅛	Acuson			46	459	14⅞	14½	14⅞	+½
19⅝	16⅝	Adams Expr	0.36	1.9	0	720	19⅛	18⅞	19⅛	+⅜
38⅞	16⅛	AdvMic			7	3290	20⅛	19⅞	20	
9¾	5	Advest Grp	0.16	1.7	9	45	9⅝	9½	9⅝	+⅛
27½	16½	Advo Inc	0.10	0.5	22	1373	21½	21	21⅞	+⅜
48¾	24.80	Aegon	1.28	3.0	16	28	42⅝	42⅛	42⅝	-½
5⅞	3⅜	Aeeltx			7	94	4	3⅞	3⅞	-⅛
76¼	46¾	AetnaL x	2.76	3.7	35	4088	74¾	73⅞	74½	
47⅛	31⅞	Aflac	0.52	1.1	13	2093	46⅝	46¼	46⅜	-⅛
28⅜	16	Ahmanx	0.88	3.8	7	7031	23⅝	23⅛	23¼	
59½	43⅞	AirPrC	1.04	2.0	18	4828	52¾	51⅞	52¾	+⅞
29½	18⅝	Airborne Frt	0.30	1.1	25	643	28⅝	28⅛	28¼	+¼
35	19⅝	Airgas Inc			29	1507	u35	34⅛	34¾	+1½

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close January 30

NYSE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
		Continued from previous page								
37⅞	30½	SFeP Pipe x	3.00	8.0	18	48	37⅜	37⅛	37⅜	+¼
33¾	24⅝	SaraLee	0.76	2.3	19	6841	u33¾	32¾	33¾	+⅝
60¼	39⅝	SBC Co	1.65	2.9	18	4367	58⅜	55¾	56¼	
28⅝	20⅞	Scana Corp	1.44	5.2	17	1775	27⅝	27⅞	27⅞	-⅛
18⅝	14⅞	Scecp	1.00	5.4	11	8288	u18⅝	18⅜	18½	
11¼	5⅞	SchwitzA x	0.26	3.2	20	38	8⅛	8	8	
[illegible]										

4 pm close January 30

NASDAQ NATIONAL MARKET

[illegible]

AMEX COMPOSITE PRICES

4 pm close January 30

[illegible]

AMERICA

Hopes for US rate reduction lift indices

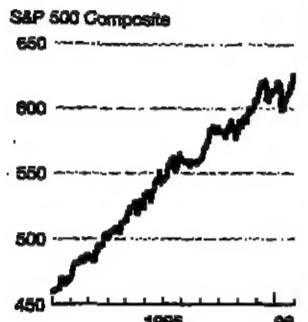
Wall Street

Hopes that the Federal Reserve would cut interest rates today sent US shares further into record territory in midday trading yesterday, *writes Lisa Bransten in New York.*

In the early afternoon, the Dow Jones Industrial Average was more than 50 points higher, triggering the "downtick rule" that restricts program buying.

By 1 pm, however, the index was off the session's high with a gain of 47.69 at 5,352.67. The Standard & Poor's 500 was 4.20 higher at 628.42 and the American Stock Exchange composite rose 2.26 to 549.92. The technology-rich Nasdaq composite was up 7.89 at 1,050.40. NYSE volume was 263m shares.

US



Source: FT Extel

Weak economic data added to the growing consensus that the Fed would ease monetary policy at the conclusion of its two-day Open Market Committee meeting that began yesterday. Retail sales rose 0.3 per cent in December, making 1995 the worst year for retailers since 1991, and consumer confidence fell sharply in January, dampening prospects that sales would rebound in the near term.

Hopes for looser monetary policy led to another day of gains for cyclical shares and helped the Dow, which is weighted towards that sector, outperform the more broadly based S&P. The Morgan Stanley index of cyclical shares was 1.7 per cent up and its counterpart index of consumer goods companies rose 0.7 per cent.

Also boosting the Dow's performance was a healthy earnings report from General Motors – the largest automobile manufacturer in the US and a component of the Dow. Shares in GM added \$1¾ or 3 per cent to \$54¼ after the company reported fourth quarter earnings of \$1.98 a share, 67 cents a share ahead of the mean forecast from analysts.

Other rising cyclical shares in the Dow included Du Pont, up \$1¼ at \$76¼, Aluminum Company of America, \$1⅝ stronger at \$55⅝ and Union Carbide, which moved ahead \$1⅞ to \$41⅝.

The Dow also received a boost from a rise in the price of Merck, on the heels of an announcement that it had made a substantial advance in the battle against Aids with its drug Crixivan. Studies found that the drug reduced that levels of HIV, the virus that causes Aids, when taken with two other Aids drugs, AZT and DDI. Shares in the drug company jumped \$1¼ at \$70.

American Depositary Receipts of Glaxo Wellcome, which makes AZT, climbed \$1¼ to \$28⅝ and Bristol-Myers Squibb, which makes DDI, added \$⅞ at \$88⅞.

Canada

Toronto drove further into record territory, powered by an influx of retirement fund cash, higher gold prices and falling rates. The TSE-300 Composite index was 27.12 higher by noon at 4,976.33 in heavy volume of 50.9m shares as investors also kept a close eye on the US Federal Open Market Committee meeting for any sign of a move on interest rates that might emerge.

Mexico loses gain

Mexico City reversed an early gain and was lower in thin trade before midday as investors took profits and waited for signs from the money market on interest rates.

The IPC index was off 23.73 at 3,064.26. Volume was weak at 21m shares.

Dealers remarked that trading had really slowed down in the past two days.

Banorte, the financial group, surrendered 4.4 per cent after reporting a slightly lower 1995 net profit compared with the previous year.

Televisa receded 3 per cent on profit-taking, having put on gains in the past few sessions after Grupo Alameda, which owns Televisa stock, restructured its debt.

SANTIAGO recovered from early losses on bargain hunting by foreign investors.

The selective IPSA index, which had fallen 3 per cent over the last week, finished the first round down 0.7 per cent at 93.69. The general IGPA index slipped 0.3 per cent to 5,640.07 points in volume of 3.6bn pesos.

S African golds rejuvenated

Johannesburg finished mixed after a firmer bullion price rejuvenated gold shares, but industrials lost ground on uncertainty over short-term prospects.

Dealers noted that industrials had fallen throughout the day, consolidating after last week's strong run, and knocked by Monday's poor December M3 money supply figure, which dashed hopes of an early interest rate cut.

The overall index was down 7.2 to 6,930, industrials shed 25.3 to 8,667.3 and golds picked up 23.4 to 1,730.4.

On the gold board, gaining issues included Vaal Reefs, up R9 to R379, Gold Fields, R3 ahead at R133, and Freegold, which firmed R1.25 to R38.75.

The heavily weighted conglomerate South African Breweries skidded R2 to R137.50, while Remgro receded 50 cents to R40.25 and pulp and paper producer Sappi slipped R1.25 to R49.50.

Anglo American relinquished 50 cents to R271.50, with its decline tempered by the gains in gold shares.

EUROPE

Paris rises above 2,000 after banks cut rates

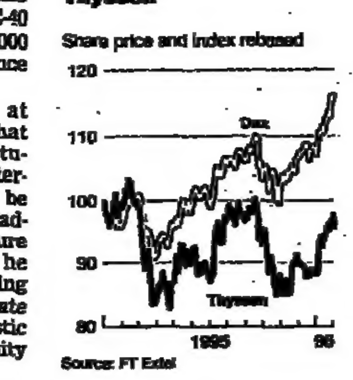
The cut in base lending rates and a savings rate gave PARIS a kick start and the CAC-40 index closed above the 2,000 level for the first time since last May.

Mr Simon Hopkins at Nomura in Paris said that there was heavy US institutional buying during the afternoon, which could possibly be put down to programme trading. The interest rate picture was the cue for buying, he added, and there was a feeling that the cut in the savings rate could now encourage domestic investors to re-enter the equity market.

The index rose 22.45 to 2,003.13, just off an intra-day high of 2,004.43. Turnover reflected the positive interest being shown, topping FFr5.7bn.

Bouygues was suspended throughout the day at FFr532 before announcing that it expected a 1995 loss of FFr4bn after making a provision of FFr4.4bn. But the company also said it expected to make a profit this year. Trading was due to resume this morning, and some dealers said that they were not expecting a heavy sell-off. With interest rates on the decline, those companies, such as Bouygues, with exposure to the property sector could now be expected to turn the corner, they remarked.

Thyssen



Source: FT Extel

Among laggards, Accor gained FFr17 at FFr670 and Alcatel Alsthom FFr15.90 at FFr456.50. Among banks, Suez rose FFr5 to FFr183.70, and Paribas FFr4.50 to FFr364.80 in spite of reporting a loss at its Spanish subsidiary.

STOCKHOLM leapt 1.8 per cent on news that the central bank had cut its key repo rate to 8.45 per cent from 8.66 per cent. The Affärsvärlden index picked up 30.3 to 1,749.6 as analysts commented that the unexpected rates cut indicated a shift in central bank policy away from currency stability to reviving flagging economic growth.

Rate-sensitive banks and insurers were among the day's best performers. S-E Banken climbed SKr2 to SKr52 and Handelsbanken gained SKr3 to SKr129.5. Skandia, the insurer, rose SKr2 to SKr174.

Electrolux jumped SKr14 to SKr289 after presenting stronger than expected annual results for 1995.

FRANKFURT was saved by a round of buying towards the close. The Dax finished 10.26 down at 2,435.79, while the Ibis pushed higher to end at 2,456.09.

Deutsche Bank rose in early floor trading to a new 52-week peak of DM73.70 after the bank said it would pay a higher dividend for 1995, before settling back to end 5 pfgs lower at DM73.35. In the Ibis the bank made 67 pfgs to DM73.57.

Thyssen, the steel and engineering group, slipped DM3.60 to DM285, and then rose to DM286.40 in the Ibis in line with the market, after its profits forecast for the year to the end of September 1996. Analysts were expected to downgrade earnings estimates, but most were waiting until a meeting with the company on Friday before saying more.

ZURICH recouped 1.2 per cent in volatile trade, with a firming dollar, the strong start on Wall Street and rising bond futures providing support. The SMI index picked up 38.6 to 3,236.8.

Credit Suisse Research noted that the equity market had fallen almost 7 per cent since its peak on January 4, rocked by the sudden fall in yields in bonds. However, it believed that an expected calming on the bond market would halt the stock price slide and allow equities to resume an upward trend during the first quarter of the year.

Financials benefited from the recovery in bond futures. UBS bearers, very volatile recently, picked up SFr32 to SFr1,271.

The insurance sector, particularly hard hit and losing about 10 per cent of its value since the start of the year, also put in a strong performance. Swiss Re jumped SFr42 or 3.5 per cent to SFr1,237, profiting from several recommendations.

FT-SE Actuaries Share Indices

Jan 30							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1542.41	1543.24	1542.70	1541.49	1541.72	1543.34	1547.74	1549.40
FT-SE Eurotrack 200	1648.14	1648.22	1648.28	1647.15	1648.35	1649.56	1654.85	1656.45

	Jan 29	Jan 26	Jan 25	Jan 24	Jan 23
FT-SE Eurotrack 100	1539.25	1526.40	1543.85	1540.68	1529.19
FT-SE Eurotrack 200	1654.61	1644.06	1651.49	1646.62	1634.84

Base 1000 (26/10/90); High/day: 100 - 1549.40; 200 - 1658.05 Low/day: 100 - 1540.81 200 - 1646.71 † Partial

AMSTERDAM had a dismal day in contrast to its neighbours. The AEX index lost 2.87 to 502.74, but was up from a low of 501.06.

There were still speculative buyers in Fokker, which rose another 30 cents to Fl 4.60.

KLM sank Fl 3.50 to Fl 50.40 after third-quarter figures failed to please.

MILAN continued to press higher on suggestions that President Oscar Luigi Scalfaro was keen to avoid a snap general election as a way out of Italy's political crisis. The Comit index rose 6.99 to 613.77 and the real-time Mibtel index added 146 at 9,841 as the president began a third and final round of negotiations with parliamentary groups.

Banks were in demand, partially on hopes that a clarification of the political scene would permit the Bank of Italy to cut interest rates. IMI was up L247 to L10,546, while BCI gained L56 to L3,603 and Mediobanca moved forward L287 to L10,832.

Eni, the energy giant, picked up L78 to L5,920 on further strong foreign buying.

Telecoms also found foreign demand, with Telecom Italia up L58 to L2,746 and Stet gaining L75 to L4,747.

Against the trend, Rinascente, the retailer, lost L73 to L10,096 after the group released 1995 sales figures.

WARSAW eased slightly, having set three consecutive 52-week highs and breaking the 10,000 barrier at the start of the week. The Wig index lost 0.1 per cent to 10,171.5 as turnover slipped 20 per cent to 180.8m zlotys.

VIENNA made further progress as the ATX index posted a rise of 5.55 at 1,076.5 after dipping to a low of 1,063.92. The leading gainer was Austria Mikro Systeme, up Sch55 to Sch1,615 but off a high of Sch1,630.

OMV added Sch2 at Sch987 and said it expected 1995 pretax profits to exceed Sch2bn, as against 1994's Sch839m.

Written and edited by Michael Morgan and John Pitt

ASIA PACIFIC

Growing hopes for economic recovery support Nikkei

Tokyo

Another overnight record-breaking rally on Wall Street, combined with hopes for a Japanese economic recovery, supported investor confidence and lifted the Nikkei, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average put on 133.24 at 20,722.44, after moving between 20,602.25 and 20,796.69. The third consecutive rise in Japanese industrial production figures, released on Monday, raised hopes of a steady economic recovery. Banks, which had been sold on fears of a prolonged debate over the housing loan liquidation, were bought and led the rise.

Volume was 570m shares, against 516.8m. The Topix index of all first section stocks rose 4.92 to 1,598.14 and the Nikkei 300 added 0.79 at 298.59. Gainers led declines by 701 to 337, with 174 issues unchanged.

In London the ISE/Nikkei 50 index rose 3.75 to 1,400.34.

Speculative stocks again led activity. Traders said individuals targeted issues which were free from the influence of foreign and institutional trading. Brokerage dealers are also joining the fray in search of short-term profits.

A local broker, meanwhile, noted that issues owned by Norinchukin, the agricultural financial institution which extended a large amount of loans to the housing loan companies, were active. This reflected speculation that Norinchukin might try to support the prices of such shares to take profits.

In spite of this, fishing company Kyokuyo, in which Norinchukin has a 4.9 per cent stake, fell Y20 to Y850. Other Norinchukin owned companies lost ground, including Nippon Kakoh Seishi, off Y36 at Y749.

Other speculative shares did better, with Takara Shuzo up Y90 to Y1,330 and Rythm Watch, the day's most active stock, rising Y16 to Y480.

Bank stocks improved, Sumitomo Bank firming Y10 to Y2,040. Brokers were also higher, with Nomura Securities putting on Y30 at Y2,230.

The dollar's stability supported export-oriented stocks. Car companies were higher, with Toyota Motor up Y10 to Y2,300. High-technology issues also gained ground: up Sony appreciated Y130 to Y6,430.

In Osaka, the OSE average improved 55.11 to 22,118.85 in volume of 154.9m shares.

Roundup

HONG KONG closed at a two-year high on a late surge driven by soaring futures and New York's record close overnight. The Hang Seng index climbed 142.49 or 1.3 per cent to 11,201.46 in turnover that picked up to HK\$6.5bn.

Banks, especially smaller ones, were stronger after Ka Wah Bank reported positive earnings and larger than expected inner reserves under new disclosure rules on Monday. Ka Wah was up 15 cents at HK\$2.75. Bank of East Asia advanced HK\$1.40 to HK\$32.80, aided also by talk of a covered warrant issue, and HSBC gained HK\$1 at HK\$126.

Sun Hung Kai Properties jumped HK\$2.25 to HK\$72.25 and New World was ahead 70 cents at HK\$37.70.

Recently underperforming utilities bounced. HK Electric rose 45 cents to HK\$26.30 and China Gas moved ahead 30 cents to HK\$13.85.

TAIPEI saw a wave of late buying lift share prices after the island's radio reported that the Chinese Premier Li Peng had not made any mention of a timetable for reunification in a speech delivered yesterday in Beijing.

The weighted index, which had fallen sharply on Monday on worries about Chinese intentions towards the island, rose 111.50 or 2.4 per cent to 4,803.80. Turnover came to T\$22.8bn. China Steel gained 60 cents or 3 per cent at T\$20.3.

SINGAPORE rebounded from early losses on bargain hunting, with some UK funds said to be among the buyers. The Straits Times Industrial index ended 0.39 off at 2,423.68, but up from a low of 2,410.02.

Amcol was actively traded, picking up 8 cents to S\$4.22. After the close of trading, the trading and property group said that its former managing director, Kang Hwi Wah, had agreed to sell 6.7 per cent of the company to the Transmarco chief, Sukamto Sia, at S\$4.50 a share.

KUALA LUMPUR recovered from a weak morning, when interest rate worries drove prices down, as selective bargain hunting by both institutions and retailers nudged prices higher. The composite index finished 11.63 ahead at 1,052.89.

PhileoAllied jumped 75 cents to M\$10.30 after announcing a three-for-one bonus proposal. Idris gained 6 cents at M\$3.84 on news that it had been awarded a new large forest concession in Sabah.

After their recent pause, second liners were again driven up by speculative buying. Pegi rose 21 cents to M\$2.95 on revived rumours of an asset injection and takeover.

SEOUL closed firmer in relatively active trade after late profit-taking wiped out the bulk of earlier gains. The composite index ended 2.3 ahead at 875.45 after touching 881.60.

The announcement that industrial output growth continued to slow in December was in line with forecasts and had little immediate impact on the market.

Chong Gu Construction went the day's limit down, weakening Won1,000 to Won15,900, on news that it had been sued by would-be residents of one of its Seoul apartment projects over alleged excessive charges.

Most preferred stocks, which accrue higher dividend payments than common shares, rose as local media reported details of new rules requiring companies to base their dividend payouts on market share prices instead of par values.

BANGKOK rallied 1.2 per cent as investors bought leading finance and bank shares. The SET index moved up 16.89 to 1,393.34 on turnover of Bt7.6bn. Krung Thai Bank was the most active issue and rose Bt5 to Bt130.

SYDNEY was defeated by profit-taking as the All Ordinaries index lost 13.5 to 2,265.8. Volume totalled 298.2m shares worth A\$545.5m, with declines leading rises by 462 to 391. Advance Bank gained 35 cents at A\$11.80 after a high of A\$12.00 following results. Brokers said investors sold National Australia Bank and ANZ to buy Advance.

NAB made 5 cents to A\$12.82 after a high of A\$12.87, while ANZ shed 10 cents to A\$6.73.

The gold shares index fell 36.9 to 2,157.2, with Gold Mines of Kalgoorlie down 3 cents at A\$1.47 and Newcrest Mining 22 cents cheaper at A\$6.25.

MANILA failed to reverse early selling of leading issues as fears of a possible rise in inflation triggered profit-taking. The composite index slipped 18.20 to 2,860.38, up from the session's low of 2,844.20, in volume of 2.8bn shares worth 1.8bn pesos.

BOMBAY was propelled higher by heavy short-covering, triggered by large short sold positions, and the BSE-30 index rose 37.74 to 2,909.92.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 29 1996								FRIDAY JANUARY 26 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (81)	193.52	1.3	190.28	130.40	149.50	173.96	1.2	3.85	191.02	188.41	128.81	148.09	171.90	195.40	157.85	165.37
Austria (26)	185.61	0.7	182.50	125.07	143.39	143.21	0.3	1.51	184.31	181.80	124.28	142.89	142.71	199.28	167.48	175.37
Belgium (34)	211.03	1.4	207.49	142.20	163.02	158.93	1.0	3.29	208.09	205.25	140.32	161.32	157.31	215.22	168.86	168.55
Brazil (28)	155.21	-0.2	152.61	104.59	119.90	279.56	-0.1	1.38	155.50	153.38	104.86	120.55	279.99	160.23	86.06	143.31
Canada (101)	154.41	1.0	151.82	104.05	119.28	154.26	0.9	2.43	152.87	150.78	103.08	118.51	152.91	154.41	121.81	123.65
Denmark (33)	297.66	-0.2	292.67	200.71	230.10	233.02	-0.4	1.40	298.46	294.39	201.25	231.38	234.02	302.74	252.41	252.64
Finland (24)	177.07	0.7	174.10	119.32	136.79	169.22	0.7	1.88	175.80	173.40	118.54	136.29	168.11	276.11	171.13	198.55
France (99)	182.51	0.8	179.45	122.98	140.99	146.20	0.6	3.11	181.01	178.54	122.06	140.33	145.39	191.17	159.08	180.51
Germany (60)	169.80	0.9	166.96	114.42	131.17	131.17	0.5	1.82	168.32	166.03	113.50	130.49	130.49	170.83	139.77	140.78
Hong Kong (58)	429.59	-0.5	422.39	289.47	331.86	426.53	-0.5	3.36	431.84	425.95	291.19	334.79	428.66	431.84	290.53	290.53
Ireland (16)	256.20	0.4	251.91	172.64	197.92	230.97	0.1	3.32	255.19	251.71	172.07	197.83	230.70	262.70	205.44	210.50
Italy (59)	74.96	0.4	73.70	50.51	57.91	89.58	0.2	1.64	74.66	73.64	50.34	57.88	89.38	82.71	65.45	80.17
Japan (482)	150.77	-0.3	148.25	101.60	116.47	101.60	-0.4	0.75	151.22	149.15	101.97	117.23	101.97	164.82	136.95	142.90
Malaysia (107)	504.22	-1.4	495.77	339.76	389.51	496.84	-1.2	1.66	511.42	504.45	344.85	396.48	503.15	561.96	418.90	418.90
Mexico (18)	1209.94	0.6	1189.67	815.30	934.68	9774.83	0.1	1.42	1203.04	1186.63	811.21	932.66	9766.37	1237.14	847.81	1048.78
Netherland (19)	273.64	0.4	269.06	184.39	211.39	207.91	0.1	3.14	272.57	268.85	183.79	211.31	207.76	280.49	218.81	221.87
New Zealand (14)	78.66	1.4	77.35	53.01	60.77	62.52	1.1	4.55	77.61	76.55	52.33	60.18	61.87	85.49	72.27	72.60
Norway (33)	225.20	-0.2	221.43	151.75	173.97	199.03	-0.5	2.10	225.67	222.59	152.17	174.95	200.02	243.79	202.76	212.63
Singapore (44)	439.20	-1.1	431.84	295.94	339.28	297.10	-1.0	1.40	443.93	437.88	299.34	344.16	299.88	445.07	335.78	335.78
South Africa (45)	434.27	-0.4	427.00	292.62	335.47	348.86	-0.4	3.39	435.68	429.88	293.95	337.96	348.35	436.21	281.05	290.04
Spain (37)	161.62	-0.7	158.91	108.90	124.85	154.22	-1.1	3.86	162.82	160.60	109.79	126.23	156.01	169.91	124.10	130.63
Sweden (47)	295.31	-0.1	290.36	198.99	228.13	305.50	0.3	1.97	295.76	291.73	199.43	229.29	304.60	324.31	232.23	238.17
Switzerland (39)	219.29	-0.2	215.61	147.76	169.40	164.43	0.1	1.82	219.77	216.77	148.19	170.38	164.32	238.55	162.89	164.29
Thailand (46)	185.31	-0.2	182.20	124.87	143.15	182.25	-0.2	2.20	185.62	183.09	125.17	143.91	182.56	186.79	130.15	135.24
United Kingdom (206)	226.50	0.3	222.70	152.62	174.97	222.70	0.0	4.17	225.82	222.74	152.27	175.06	222.74	232.23	192.73	195.16
USA (632)	254.32	0.4	250.05	171.37	196.46	254.32	0.4	2.24	253.30	249.85	170.80	196.37	253.30	254.32	191.88	192.68
Americas (779)	232.47	0.4	228.57	156.64	179.58	195.42	0.4	2.24	231.50	228.35	156.10	179.47	194.63	232.47	176.22	177.17
Europe (732)	199.13	0.4	195.79	134.18	153.83	174.55	0.2	3.03	198.39	195.68	133.77	153.80	174.28	204.32	167.85	169.17
Nordic (137)	265.96	-0.1	261.51	179.21	205.46	236.14	0.1	1.86	266.11	262.48	179.44	206.30	235.67	235.02	222.22	226.80
Pacific Basin (833)	163.45	-0.3	160.71	110.14	126.26	113.20	-0.3	1.16	163.90	161.66	110.52	127.06	113.58	171.87	145.95	149.12
Euro-Pacific (1565)	178.21	0.0	175.22	120.08	137.67	136.50	-0.1	2.04	178.16	175.73	120.13	138.12	136.84	183.39	156.37	157.38
North America (733)	248.11	0.4	243.96	167.19	191.67	247.55	0.4	2.25	247.07	243.70	166.60	191.54	246.52	248.11	187.63	189.40
Europe Ex. UK (526)	179.78	0.4	176.77	121.14	138.88	147.72	0.2	2.39	179.04	176.59	120.73	138.80	147.35	184.61	150.45	151.50
Pacific Ex. Japan (351)	281.22	-0.2	276.51	189.49	217.24	248.47	-0.2	2.87	281.77	277.92	190.00	218.44	248.94	281.77	216.61	217.48
World Ex. US (1757)	180.17	0.1	177.15	121.41	139.18	140.89	-0.1	2.08	180.09	177.63	121.43	139.61	141.01	184.71	158.72	157.87
World Ex. UK (2183)	200.54	0.2	197.18	135.13	154.91	169.71	0.1	1.94	200.17	197.44	134.97	155.18	168.48	202.03	165.66	165.65
World Ex. Japan (1907)	231.89	0.3	228.00	156.25	179.13	219.42	0.3	2.57	231.09	227.94	155.82	179.15	218.84	232.30	182.89	183.70
The World Index (2389)	202.85	0.2	199.45	136.69	156.70	173.55	0.1	2.15	202.46	199.70	136.52	155.96	173.34	204.65	168.25	168.25

Latest prices were unavailable for this edition.